

DAIMLERBENZ

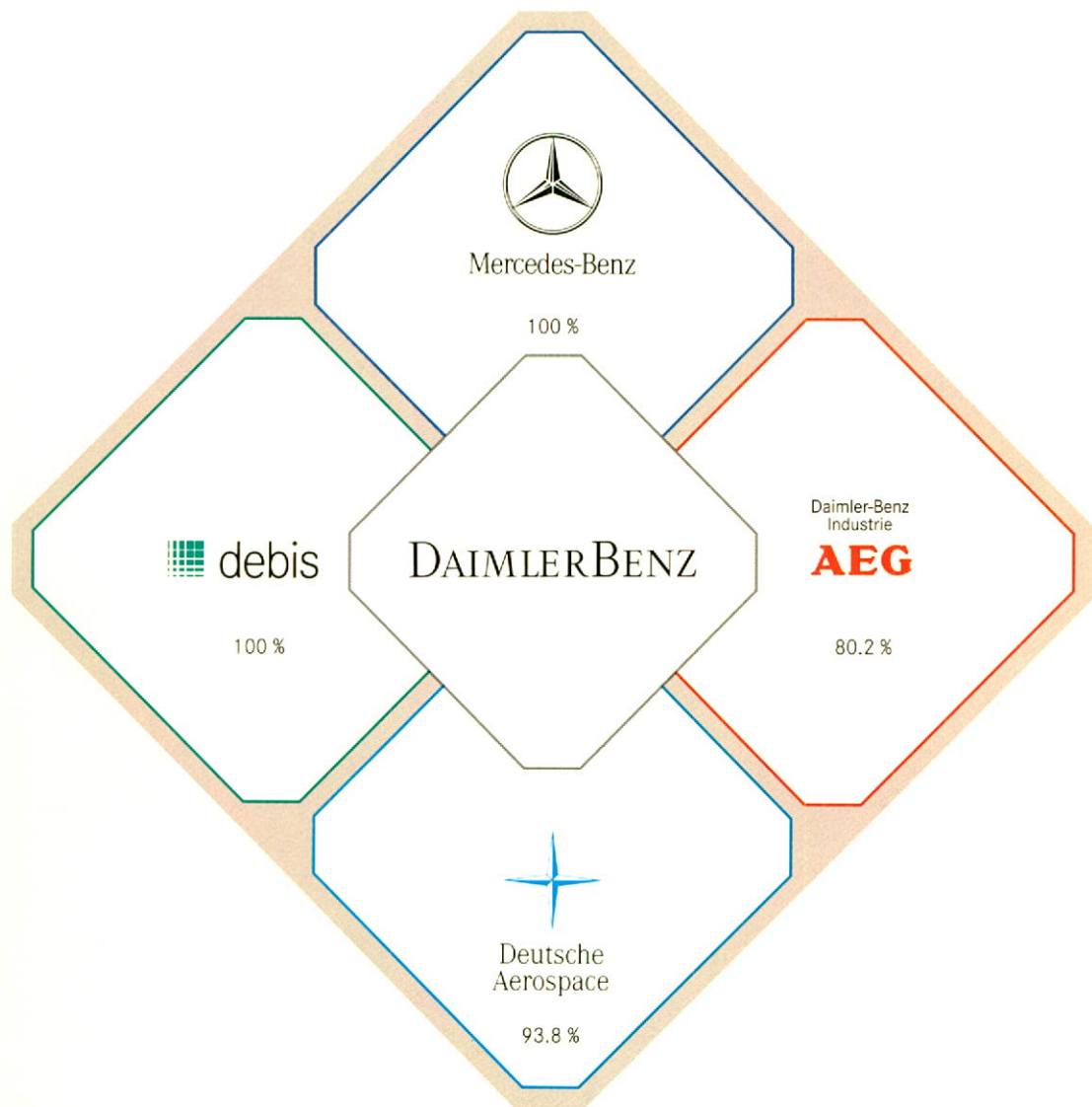


Annual Report
1993



Positioning for the future

The Daimler-Benz Group



Corporate Unit Mercedes-Benz	Corporate Unit AEG Daimler-Benz Industrie	Corporate Unit Deutsche Aerospace	Corporate Unit debis
Passenger Cars Commercial Vehicles	Rail Systems Microelectronics Diesel Engines Automation Energy Systems Technology	Aircraft Space Systems Defense and Civil Systems Propulsion Systems Additional Business Fields	Systemhaus Financial Services Insurance Brokerage Trading Marketing Services Mobile Communications Services debis Real Estate Management

DAIMLERBENZ

Positioning for the future

We encounter products of the Daimler-Benz group every day. Their identity, however, is not always as apparent as that of the cars bearing the Mercedes star. Usually it would take a look behind the scenes to recognise AEG Daimler-Benz Industrie's microelectronics, rail systems, energy systems technology or automation technology; the same applies to the products and systems of Deutsche Aerospace and the services of debis. We often make use of them without realizing who is behind them.

Daimler-Benz is an integrated technology group with extensive competence in the field of transportation and traffic systems. We are also active in fields interlinked by common technologies and system structures. The common foundations of the corporate units, their structures and the forms of cooperation are part of the distinctive corporate identity of Daimler-Benz. Similar to some of our products, our corporate units do not always draw attention to themselves. To give you more of an insight into "your" company than mere statistics and balance sheets can provide and, above all, to show you how we are positioning for the future – we have given our annual report a new look.

Contents

2	The Corporate Principles of Daimler-Benz
3	Daimler-Benz Highlights
4	Letter to the Stockholders and Friends of our Company
6	Board of Management
8	Report of the Board of Management
8	Business Review
14	Operating Activities of the Group
42	Central Corporate Functions
62	The Daimler-Benz Share
65	Discussion and Analysis of the Financial Situation
74	Financial Statements
95	Proposal for the Allocation of Unappropriated Profit
96	Supervisory Board
98	Report of the Supervisory Board
99	Directors and Daimler-Benz Group Representatives
100	Principal Subsidiaries and Affiliated Companies
102	Daimler-Benz in Figures

The Corporate Principles of Daimler-Benz

1 Our work at Daimler-Benz serves people and their environment. We aim to offer the world's most advanced products, systems and services.

This requires a continual commitment to technical, business, and social innovation as well as a corporate culture characterized not by complacency, but by creative unrest.

In a world increasingly complex, with promising opportunities – but also risks – even minor events can take on consequences of major proportions. Therefore, we must carefully weigh our every action.

We owe it to future generations to use our natural resources prudently and sparingly. This sense of responsibility must be reflected in all our thoughts and activities throughout the Group.

2 Our customers are the focus of our efforts. We must strive not just to meet their expectations, but to exceed them. Cooperation and the open exchange of know-how throughout all areas of our companies are central to meeting this goal.

Just as we are accountable to our customers, we are equally responsible to the companies' owners as well as to the public. This means we must be willing to provide feedback to others and to assess ourselves openly and honestly.

3 We aim to learn better and faster than our competitors. To achieve this, we need not only flexible organizational structures but also employees who think entrepreneurially.

Key to our success are employees with a sense of responsibility, independence, creativity, drive, teamwork, and openness to new ideas. We therefore promote every employee's personal development to the best of our abilities.

4 Daimler-Benz does business in all corners of the globe. We are convinced of the advantages to everyone of open trade borders throughout the world. Therefore, we view competition as a welcome proving ground. The measure of our success is the recognition our work receives, and economic success is an undeniable part of this recognition.

Inherent to our philosophy is respect for other cultures. As an international company, we reject all forms of discrimination. This principle applies, moreover, to the filling of management positions, where we will extend equal opportunities to every employee regardless of nationality.

5 Daimler-Benz is an integrated technology group. This means that our various business areas are linked by cross cutting technologies and system structures. We place a special emphasis on our know-how and experience in traffic management systems and transportation technologies.

Our core businesses include vehicles for passenger and freight transportation, rail systems, aerospace, propulsion systems, defense systems, automation, energy systems technology, and information-technology services. In these areas, Daimler-Benz strives to be a world leader.

Furthermore, we are active in certain specialized areas, such as applied microelectronics, selected financial services, and countertrading, where we aim to be highly competitive. To a great extent, these activities interlink our core business areas.

Each of our business areas falls under the responsibility of one of our four corporate units. Thus, Mercedes-Benz, AEG Daimler-Benz Industrie, DASA, and Daimler-Benz InterServices (debi) work together under the umbrella of Daimler-Benz, the managing holding company of our group.

6 Our cooperation aims to:

Combine know-how and experience to create new dimensions – Responsibly promoting progress for everyone

We are proud to continue a distinguished tradition guided by these principles.

Daimler-Benz Group	1993	1993	1992	1991
US \$ Amounts in Millions¹⁾			DM Amounts in Millions	
Sales	56,187	97,737	98,549	95,010
Germany	22,029	38,319	42,572	44,443
Europe (without Germany)	14,546	25,303	27,031	23,803
North America	9,852	17,138	13,881	12,969
Latin America	3,011	5,238	3,850	3,993
Other Markets	6,749	11,739	11,215	9,802
Employees (at Year-End)		366,736	376,467	379,252
Germany		284,576	302,464	305,295
Foreign		82,160	74,003	73,957
Research and Development	5,199	9,043	9,312	8,403
Cash Flow from Operating Activities	5,699	9,913	5,328	7,790
Cash Used for Investment Activities	(6,049)	(10,523)	(7,523)	(14,919)
Cash Flow from Financing Activities	390	679	3,072	3,966
Net Income	354	615	1,451	1,942
Net Income Per DM 50 Share				
(in US \$, in DM)	7.43	12.92	30.46	40.21
Net Income by U.S. GAAP²⁾	(1,057)	(1,839)	1,350	1,886
Net Income by U.S. GAAP				
Per DM 50 Share (in US \$, in DM)	(22.69)	(39.47)	29.00	40.52
Net Income by U.S. GAAP				
Per ADS³⁾ (in US \$, in DM)	(2.27)	(3.95)	2.90	4.05
Daimler-Benz AG				
Capital Stock	1,339	2,330	2,330	2,330
Net Income	224	390	703	1,194
Total Dividend Amount	214	373	604	603
Dividend				
Per DM 50 Share (in US \$, in DM)	4.60	8.00	13.00	13.00

¹⁾ Values converted at US \$ 1 = DM 1.7395; this corresponds to the purchase rate of the Federal Reserve Bank in New York on December 31, 1993 at 12 a.m.

²⁾ U. S. accounting principles (Generally Accepted Accounting Principles).

³⁾ American Depositary Share, corresponds to one tenth of a Daimler-Benz share of DM 50 par value.

The financial statements of Daimler-Benz Aktiengesellschaft have received an unqualified opinion of independent auditors KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft; they will be published in the Bundesanzeiger (Federal Gazette) and filed at the Stuttgart District Court. These financial statements may be obtained free of charge from Daimler-Benz AG, IR, D-70546 Stuttgart.

Ladies and Gentlemen!

It is our intention to set new standards in the quality and content of our company reports. As an international corporation, we wish to provide our investors, customers and suppliers the world over, as well as our employees, with the highest possible standard of information. Accordingly, we submit this annual report to all those who have links with our company and underscore why those links will continue to be rewarding.

1993 was an extremely difficult year, not only for Daimler-Benz. Moreover, while the first signs of the end of the deep economic recession are beginning to appear, we cannot expect a significant upturn in most of our main markets before the end of this year at the earliest. The role which the unsatisfactory development of wages, and monetary policy have played in this is largely undisputed.

Conditions have not improved in other areas as well. This also applies to government policy on purchasing as well as on the public sponsorship of research and development, especially in defense technology and the aerospace industry. This is despite the fact that these key technologies for the future are needed more than ever if we are to secure competitiveness – and therefore also jobs – both in Germany and throughout Europe.

We do, however, expect the economic recovery, which began taking shape during the last quarter of 1993, to continue in 1994. During the last four years, we have built the right foundations to benefit from this upturn. In view of the declines suffered in nearly all our fields of business during 1993, this may seem presumptuous. However, my colleagues and I are convinced that these difficult times have confirmed just how healthy the basic substance of Daimler-Benz really is. We possess the vitality and potential to assure a healthy future for our company in spite of the difficulties we have all endured.

We have decided to propose the payment of a dividend in the amount of DM 8. Against the background of business trends, and in view of the considerable burdens we have placed on our employees, many people may consider it more appropriate not to pay a dividend this year. However, we believe our proposal to be appropriate because we want our shareholders to benefit from the long-term earnings potential of Daimler-Benz which continues to be very promising.

Productivity and efficiency in the entire group, with regard to both labor and capital, have increased significantly. The extensive and continuing improvements made in all areas, espe-

cially during the latter half of 1993, have already been reflected in substantial success. We are optimistic that this decidedly positive trend will continue as we broaden and renew our product ranges; particularly at the car and commercial vehicle divisions of Mercedes-Benz, we are very convinced that we can, through internal growth, reach our demanding goals using our own resources.

This is consistent with the fact that, like other industrial manufacturers, we are reviewing possible areas of cooperation with both competitors and suppliers in sectors peripheral to our core production activities. Indeed alliances, joint ventures and new forms of cooperation will remain on the agenda not just in this year but also in the years to come.

Proud as we are of increasing productivity, we are not blind to the fact that our competitors are also devoting enormous effort, to improving efficiency and lowering costs. This means that we must, and will, take further measures. At times, these steps may seem unconventional, and will involve labor, and increasingly, capital. It also means that we must continuously review the locations of our operations to determine if they are compatible with an internationally competitive production structure. The first consequences of this scrutiny, such as the closure and amalgamation of individual locations, have already been widely reported.

We will resolutely continue to globalize our activities to attain the best positions on the world markets of tomorrow. We shall also continue to focus the core capabilities of our integrated technology group on the mobility of people and products. This approach is exemplified by the strategic restructuring of AEG Daimler-Benz Industrie. The future main focus of this company will go well beyond electrical and electronic engineering. Our corporate unit's traditional areas of business will, in the future, be complemented by a Diesel Engines field of activity, uniting certain activities of MTU Friedrichshafen and of Mercedes-Benz AG. AEG Daimler-Benz Industrie will also assume central responsibilities in the area of microelectronics, which is of paramount importance for the integration of the group. In the other fields of activity of this corporate unit, we have built the platform to strengthen competitiveness through industrial partnerships and divestitures. Additional details are contained in this report.

We will continue to work resolutely and rapidly to ensure an optimal alignment of our areas of operation. This can be accomplished with a high degree of precision, now that we have improved and refined our internal planning and control mechanisms. In the future, it will enable us to incorporate some important aspects of the shareholder value concept.

This does not represent a break with our long-term philosophy of responsibility to our employees and to the worldwide community. Your company is strong because of its resoluteness in pursuing its strategic goals while at the same being able to take quick and effective action wherever necessary.

More changes will take place in the future. We have taken the initial offensive not with isolated measures, but with a coherent, overall plan which we are putting into effect resolutely, step by step. Some important successes have already been achieved, others will follow. This is a primary reason why we have decided to broaden your company's equity base which will give us the financial security for our further growth.

Due to a high level of non-recurrent expenditures again this year, 1994 will not be easy. Even so, we are expecting a significant improvement. By 1995, we will once again be able to speak of an overall satisfactory trend in our earnings.

We are convinced that you, our stockholders, will not be disappointed. You can place your trust in this company, because it is well prepared for the future. Through our work over the last few years, and thanks to the resources and motivation of the men and women working for your company, we have created the potential for worldwide growth, potential which others can only envy. This is true not only of our areas of individual activity, but also – and increasingly – of our capability to combine the knowledge at our disposal and to provide integrated systems solutions.

Sincerely,

E. G. Daimler-Benz

The Board of Management of Daimler-Benz AG

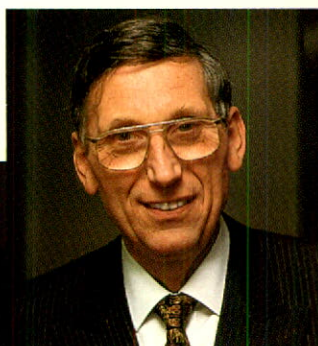


EDZARD REUTER
Stuttgart
Chairman

DR. JUR.
HANS-WOLFGANG
HIRSCHBRUNN
Stuttgart
Personnel



PROF. DR.-ING.
HARTMUT WEULE
Stuttgart
*Research and
Technology*



DR. RER. POL.
GERHARD LIENER
Stuttgart
Finance and Materials

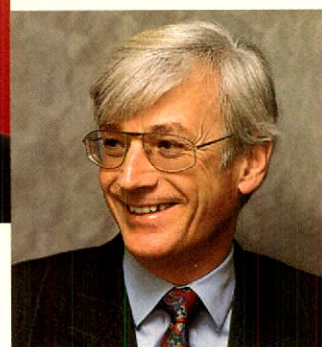


HELMUT WERNER
Stuttgart
Mercedes-Benz

JÜRGEN E. SCHREMPP
München
Deutsche Aerospace (DASA)



ERNST G. STÖCKL
Frankfurt/Main
AEG Daimler-Benz Industrie



DR. JUR. MANFRED GENTZ
Berlin/Stuttgart
Daimler-Benz InterServices (debis)

EDZARD REUTER
born 1928 in Berlin,
Member of the Board of Management
since 1973,
until 1979 responsible for Corporate
Planning and Organization,
from 1980 to 1987 responsible
for Finance,
since 1987 Chairman,
under contract until 1995.

DR. JUR. MANFRED GENTZ
born 1942 in Riga,
Member of the Board of Management
since 1983,
until 1990 responsible for Personnel,
since 1990 responsible for the
corporate unit Daimler-Benz
InterServices (debis),
under contract until 1995.

DR. JUR. HANS-WOLFGANG
HIRSCHBRUNN
born 1933 in Offenburg,
Member of the Board of Management
since 1990,
responsible for Personnel,
under contract until 1996.

DR. RER. POL. GERHARD LIENER
born 1932 in Stuttgart,
Member of the Board of Management
since 1982,
until 1987 responsible for Subsidiaries
and Affiliated Companies,
since 1987 responsible for Finance
and Materials,
under contract until 1997.

JÜRGEN E. SCHREMPF
born 1944 in Freiburg,
Member of the Board
of Management since 1987,
until 1988 responsible for the
Commercial Vehicle Division,
since 1989 responsible for the
corporate unit Deutsche
Aerospace (DASA),
under contract until 1999.

ERNST G. STÖCKL
born 1944 in Sulzburg,
Member of the Board of Management
since 1991,
responsible for the corporate unit
AEG Daimler-Benz Industrie,
under contract until 1996.

HELMUT WERNER
born 1936 in Köln,
Member of the Board of Management
since 1987,
until 1992 responsible for the
Commercial Vehicle Division,
since 1992 responsible for the
corporate unit Mercedes-Benz,
under contract until 1997.

PROF. DR.-ING. HARTMUT WEULE
born 1940 in Bitterfeld,
Member of the Board of Management
since 1990,
responsible for Research
and Technology,
under contract until 1996.

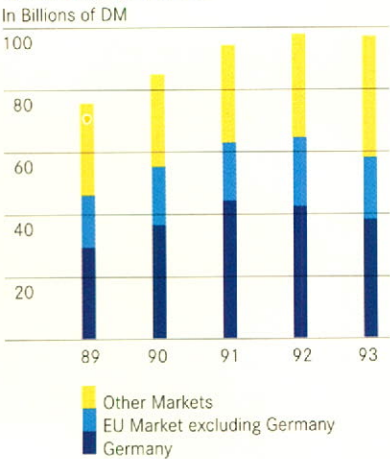
Retired from the
Board of Management:
(on May 26, 1993)

PROF. DR.-ING. E.H. DR. H.C.
Werner Niefer
Stuttgart,
Deputy Chairman
President and Chief Executive
Officer of Mercedes-Benz AG,
(Deceased September 12, 1993).

Business Review

Consolidated 1993 revenues of Daimler-Benz declined by 4% on a comparable basis to DM 97.7 billion. The decrease in business was caused by adverse world economic conditions. In all areas of the group, action has been taken to reduce costs and improve production processes on a long-term basis. We shall continue to take this action to ensure that the group remains profitable.

Consolidated Sales



Disappointing Economic Trends

Economic conditions were unfavorable to the Daimler-Benz group in virtually all parts of the world in 1993. Although modest improvements in the USA and the United Kingdom continued, hopes of an upturn in the other Western European industrial countries and Japan were not met. Even the strong growth in various newly industrializing countries of Asia and Latin America failed to stimulate the global economy to any significant extent.

In Germany, the economic trend was particularly disappointing. The recession which began in the second half of 1992, became worse during 1993, sparked by the low level of domestic demand and the decline in German exports due to adverse conditions in major markets. Also, the strengthening of the Deutschmark, against most other European currencies, made German export products more expensive. The reduced spending by German consumers is attributable to the growing burden of taxes and levies, coupled with rising unemployment. At the same time, idle capacity and structural

problems hindering production in Germany caused companies to reduce investments. This also hurt economic reconstruction in the new Federal states, where both the speed and the quality of economic growth lagged far behind the high expectations.

Daimler-Benz:
Revenues of DM 98 Billion

The trend in business of the Daimler-Benz group reflects the difficult economic climate. Consolidated 1993 revenues totaled only DM 97.7 billion, which was 4% below 1992 when comparably calculated. Revenues in the European Union were also reduced by 11% to DM 58.4 billion, while those in Germany also declined by 11% to DM 38.3 billion. However, in the US market business volume increased by 11% to DM 16 billion and in other markets by 7% to DM 23.4 billion.

Consolidated shared revenues of the business units of Mercedes-Benz, AEG, DASA and debis were 63%, 11%, 19% and 7% respectively.

Mercedes-Benz Cars:
Successful Start for New C-Class

As a result of the recession passenger car sales declined in nearly all Western European markets including Japan. The positive market trend in North America and various newly industrializing countries overseas was not able to compensate for the recession, and accordingly worldwide demand for cars was reduced by 4%.

Note:
The Business Review is the combined audited Business Review of Daimler-Benz AG and the Daimler-Benz group.

Even under these conditions, passenger car sales of the Mercedes-Benz corporate unit remained stable. Mercedes-Benz worldwide sales of cars in 1993 declined by just 2% to 508,100 units. The newly launched C-class and the updated E-class, improved Mercedes-Benz' market conditions, although, as a result of the first half of the year, annual registrations in Germany declined by 12% to 209,900 vehicles. Foreign sales, totalling 287,400 units, remained stable.

In response to the generally unfavorable 1993 market situation and in order to reduce inventory, Mercedes-Benz reduced passenger car production by 9% to 480,600 vehicles.

Mercedes-Benz Commercial Vehicles: Market Position Maintained

Mercedes-Benz sold 253,900 commercial vehicles worldwide which was a reduction of 8% from 1992. The decline is attributable to the recession in Western Europe. Commercial vehicle registrations in Germany declined by 25% to 82,200 units. Significant decreases were also recorded in other Western European markets. However, Mercedes-Benz continues to maintain its position as the leading manufacturer of trucks over 6 tons, with a market share in Western Europe of more than 30%.

Significant growth was experienced at Freightliner and most of the other overseas subsidiaries, however, even with this growth in foreign sales, total commercial vehicle production was reduced by 13% to 241,600 units.

New Corporate Structure for AEG

On December 8, 1993, the corporate unit AEG completed its new corporate structure which will contribute track-bound products and systems to the core transportation business of the Daimler-Benz group. It will also include a microelectronics function, serving all sectors of the group, along with the traditional automation and power transmission and distribution business. The new structure will dissolve activities which do not have a strategic role within the group.

Due to the acquisition of Kiepe Elektrik a significant increase in customer purchase orders was recorded in the Rail Systems division.

The same development of customer purchase orders applied to the Microelectronics field of activity and to Postal Automation, while in Industrial Automation and Electrotechnical Systems and Components orders fell short of 1992 levels. Overall, customer purchase orders rose slightly by 2% to DM 12.1 billion.

Further Reduction in Capacity at Deutsche Aerospace

The economic environment of the Deutsche Aerospace corporate unit continued to decline. Business in the Aircraft division as well as the Defense and Civil Systems division deteriorated significantly due to the structural crisis affecting the airlines and the drastic cuts in spending by the Federal Armed Forces. Incoming orders are insufficient to allow for full utilization of capacity. Accordingly, Deutsche Aerospace has initiated a

wide-range, cost-cutting and performance improvement program to create a more efficient structure. The measures include a reduction in personnel through 1996 and also include plant closures.

Effective January 1, 1993, the Fokker group, in which a majority ownership was purchased on May 19, 1993, was merged into the Aircraft division. Incoming orders at Deutsche Aerospace, amounting to DM 15.6 billion, were 8% below those of 1992.

debis Continues to Increase Revenues

The debis corporate unit increased its total output in 1993 by 20% to DM 9.5 billion. The primary markets were Germany and the USA.

There was a sharp increase in business with customers outside the Daimler-Benz group, which increased from 79% to 83% as a proportion of total revenue. Although further acquisitions were made during 1993, the increase in output of debis was attributable to growth in existing areas of the company. The Financial Services division experienced a substantial expansion in business, resulting from an increase in international markets and an expansion of the range of services provided.

Difficult Employment Situation

At year-end, the Daimler-Benz group employed 366,736 people (comparably calculated including Fokker; employees in 1992: 388,888). By January 1, 1994 the group workforce was

reduced further to total 362,190. From the end of 1993, 284,576 people (1992: 302,464) were employed in Germany. Mercedes-Benz employed a total of 209,933 people at the end 1993, AEG employed 58,921, DASA employed 86,086, and debis employed 8,812. Daimler-Benz AG employed 2,984, including 540 in group management functions, 1,274 in group research functions and 1,170 in service areas for the corporate units and the Möhringen location.

In the corporate units of the group, the employment situation was occasionally strained. The unsatisfactory market situation required reduction in the size of the workforce, with a view to safeguarding the competitive strength of Daimler-Benz. Reductions in personnel were necessary at the AEG and DASA corporate units in 1993, along with reduced work shifts in response to inconsistent production capacities.

Purchasing Volume at approximately DM 57 Billion

Despite reduced production in Germany and lower investments than in the previous year, the volume of purchases due to the first time inclusion of Fokker, increased from 1992. Worldwide purchases of goods and services totalled DM 56.7 billion (1992: DM 55.7 billion). Of these purchases, Mercedes-Benz accounted for 66%, 10% by AEG, 18% by Deutsche Aerospace and 6% by Daimler-Benz InterServices.

During 1993, numerous cost reduction projects were initiated by the Company which resulted in substantial efficiency gains at both the manufacturing plants as well as our suppliers.

Global sourcing activities increased during 1993. The "Purchasing Drive in the New Federal States" initiated by West German companies during 1992 had excellent results. Important contributions were made by the companies of the Daimler-Benz group, who increased their purchases in the new Federal States to more than DM 800 million (1992: DM 600 million).

Investment in Property, Plant and Equipment at DM 5.4 Billion

Substantial funds continued to be deployed in 1993 to safeguard the future of Daimler-Benz. Investment in property, plant and equipment totalled DM 5.4 billion. During 1992, investments totalled DM 8 billion. Also in 1993 additions to intangible assets totalled DM 0.2 billion, and depreciation and disposal of property, plant and equipment and intangible assets totalled DM 6.3 billion.

The investment in property, plant and equipment was for new production technologies, new products and new strategies. The largest share of total investment, DM 2.6 billion (1992: DM 4.2 billion), was deployed by Mercedes-Benz. In the Passenger Car division, the preparations for production of the new C-class and E-class, the introduction of 4-valve gasoline and diesel engines and the change-over to water-based paints consumed DM 1.3 billion of the total investment.

In the Commercial Vehicle division, European investment focused on the introduction of environment-friendly engines and the light truck model update. Over DM 1 billion was expended worldwide to maintain the competitiveness of the Mercedes-Benz commercial vehicle range and to take account of market-specific requirements.

Investment in property, plant and equipment additions totalled DM 0.6 billion for AEG, DM 1.0 billion for DASA, DM 0.2 billion for debis, and DM 0.1 billion for the holding company.

Additions to leased equipment totalled DM 5.9 billion (1992: DM 5.2 billion). Borrowing for leasing and sales financing activities totalled DM 13.7 billion (1992: DM 11.0 billion).

Research and Development Projects amount DM 9 Billion

A total of DM 9 billion (1992: DM 9.6 billion) was expended on research and development of which development work for third parties, primarily at the Deutsche Aerospace corporate unit, accounted for DM 4.1 billion.

On October 19, 1993, the Daimler-Benz Ulm Research Center was completed at a cost of DM 270 million, which can accommodate 1,000 employees. At the center various research projects for the corporate units and development on key technologies is performed. The spectrum of activities includes but is not limited to microelectronics, functional and structural materials, production research and the environment, energy research and information technology.

The Mercedes-Benz corporate unit expended DM 3.2 billion (1992: DM 3.1 billion) on passenger car and commercial vehicle development.

In the Passenger Car division, the 190 compact series was replaced in June 1993 by the new C-class. The C-class has been newly engineered throughout and offers significantly more leg room. In June 1993, the E-class was given a new look, incorporating styling features from the S-class and C-class. With a new generation of four-valve gasoline and diesel engines, we are giving our C-class and E-class customers noticeably more power and comfort, coupled with low fuel consumption. At the Frankfurt International Motor Show, we presented our VISION A 93 study, with which we intend to enter a new market segment with high growth potential. VISION A is the foundation for development work on the new Mercedes-Benz A-class.

The Mercedes-Benz Commercial Vehicle division presented new, environment-friendly engines in 1993 which are being successively phased into production. A variety of product improvements have made the vehicle range more attractive and even more closely tailored to customer requirements.

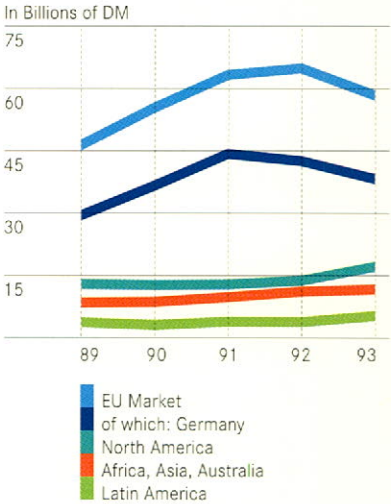
In 1993, AEG spent DM 764 million (1992: DM 726 million) on research and development. Central areas of research activity included systems engineering, postal automation systems, a new generation of rail cars, local public transport concepts and products, semiconductors and vehicle electronics.

At Deutsche Aerospace, DM 4.8 billion (1992: DM 5.5 billion) was spent on research and development; of which projects carried out for third parties accounted for DM 3.9 billion. In the Aircraft division, development work in the Airbus and Fokker programs continued. Further areas of activity included the EF 2000 European Fighter Aircraft and the Tiger helicopter development program. In Space Systems, research and development focused on the Cluster, ERS-2, Polar Platform and Ariane programs. In the Defense and Civil Systems division, further development was carried out on anti-aircraft systems and the Milan and Hot anti-tank systems. In the non-military sector, digital transmitting technology was the focus in the Eureka program. In Propulsion Systems, a considerable investment was expended on improving the efficiency and service life of the PW 2000 jet engine range. In the field of medical systems, a completely new lithotripter system was introduced to the market.

Consolidated Net Income Falls to DM 0.6 billion

The net income of the Daimler-Benz group in 1993 totalled DM 0.6 billion (1992: DM 1.45 billion). The decline of DM 0.8 billion was due to significant declines in operating results in all the corporate units; however, there were also some promising developments. Adapting certain valuation and accounting methods to tax regulations and US accounting standards led to an extraordinary income of DM 2.6 billion.

Consolidated Sales by Regions



Extraordinary results of DM 7.4 billion (1992: DM 4.5 billion) included, among others, a book profit of DM 1.7 billion from the sale of securities. Results from ordinary business activities were a loss of DM 3.3 billion (1992: DM 2.0 billion) is the fundamental basis for the profit/loss contributions of the operating units. Included in the results from ordinary business activities are costs arising from structural measures amounting to DM 3.5 billion.

The automotive sector incurred a loss of DM 1.3 billion (1992: a profit of DM 2.3 billion). This was mainly due to decline in revenues in the first half of 1993 and substantial restructuring expenditures of DM 1.7 billion. The foreign companies in the automotive sector made a larger overall contribution than in the previous year.

The contribution of AEG in 1993 fell sharply from the small positive result achieved in the previous year to a loss of DM 0.9 billion, as a consequence of economic factors and structural expenditures of DM 0.6 billion. Particularly the fundamental restructuring in the Rail Systems field of activity, structural measures in Automation and in electric motors made large demands on resources.

The negative result of Deutsche Aerospace increased further in 1993 to DM 1.0 billion and was considerably worse than the 1992 loss of DM 0.5 billion. The primary reasons for this negative result were due to declining revenues in Defense and in Space Systems, due to reductions in government

budgets, and the recording of provisions for structural adjustments of DM 1.1 billion. Further adverse influences were the reduction in deliveries to international airlines and the first-time inclusion of Fokker, where negative results were posted.

debis made a positive contribution to the Daimler-Benz consolidated result of DM 0.4 billion (1992: DM 0.3 billion). Included in the positive contribution was a negative contribution from Sogeti and additional restructuring expenditures in the Systemhaus group.

The net interest expense of the leasing and sales financing companies totalled DM 0.3 billion (1992: DM 0.4 billion). Consolidated net interest income, excluding the above expenses, amounted to DM 0.8 billion (1992: 1.0 billion). The first-time inclusion of Fokker and lower interest margins were the primary reasons for the decline in net interest income.

Sound Balance Sheet Structure

Due to the continued increase in leasing and financing business, the balance sheet total increased by almost 6% to DM 90.9 billion. On the asset side, both non-current and current assets increased. Liabilities rose due to the first-time inclusion of Fokker and the higher financing requirements of the financial services business, while stockholders' equity was reduced due to the inclusion of Fokker, having been valued according to Daimler-Benz accounting policies. Excluding the financial services business, which is primarily financed by debt, the equity ratio declined from 28% to 26% and the proportion of non-current assets in relation to stockholders' equity was reduced from 81% to 78%. Long and medium-term capital amounted to 60% of the consolidated balance sheet total.

Allocation of Earnings

Net income of Daimler-Benz AG totalled DM 390 million (1992: DM 703 million excluding extraordinary income). This amount contains extraordinary income of DM 1,722 million (1992: DM 4,490 million) which resulted from adjustments to valuations for tax regulations and U.S. accounting principles, particularly relating to provisions, inventories and receivables. The profit transfer agreement was slightly negative for Mercedes-Benz including extraordinary income, and debis, however, AEG and Daimler-Benz Luft- und Raumfahrt-Holding AG, the parent company of the DASA group, incurred considerable losses.

At our Annual General Meeting on May 18, 1994, we shall propose that a dividend of DM 8 be paid per share of DM 50 par value (1992: DM 13). The total dividend payment will amount to DM 373 million.

Outlook

The first signs of a recovery in the global economy are visible at the beginning of the 1994 financial year. Although the upward trend of the US economy is continuing, for Europe – with the exception of the United Kingdom – a slight recovery is the most that can be expected. The same also applies to Japan, although the government is mounting large-scale economic programs to stimulate the economy. In Germany, the recession has already bottomed out, but a significant upturn in 1994 is unlikely. The first impetus should come from exports, not the least due to the devaluation of the Deutschmark against major currencies in the first months of the year, while domestic demand will be slow to gain momentum.

Sales of Mercedes-Benz passenger cars in the first two months of 1994 significantly exceeded the low level of 1992. Commercial vehicle business in Europe was still unsatisfactory and in view of economic conditions will be very slow to rally. The growth of our markets in North America seems likely to continue. We do not expect vehicle demand to recover to any significant extent in Japan. Prospects in the newly industrializing countries in Asia and Latin America continue to be promising.

In order to maintain the competitiveness of our German-based operations, the measures to increase productivity will be accelerated. Mercedes-Benz will also be expanding its global market presence and its worldwide activities in the areas of purchasing, manufacturing, research and development.

AEG Daimler-Benz Industrie expects its Rail Systems, Micro-electronics and Automation fields of activity in particular to record increased sales. However, the intended sale of the Domestic Appliances field of activity and the power meters and lighting systems sectors will mean that overall, incoming orders and sales of AEG will be lower than in 1993. In addition, the restructuring of the AEG group will involve further industrial activities of the Daimler-Benz group being transferred to AEG Daimler-Benz Industrie.

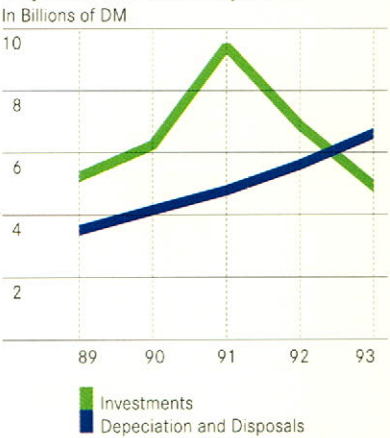
Deutsche Aerospace expects to hold its revenues at the low level of 1993 in the current financial year. A considerable increase is expected in the Space Systems division and a small increase in the Propulsion Systems division. In the Aircraft division, positive results can be expected only from deliveries of the Dornier 328, which began at the end of 1993. In the Defense and Civil Systems division, increase of production in the Stinger program to the target volume will offset declines in other projects. The comprehensive program to cut costs and improve performance launched by Deutsche Aerospace in 1993 will continue through to 1996.

Daimler-Benz InterServices expects favorable development prospects in the services sector and anticipates an increase in its total output and the share of business with customers outside the group. In those areas adversely affected by the recession, debis will take measures aimed at stabilizing business. Cost-cutting and efficiency improvement programs will continue in 1994.

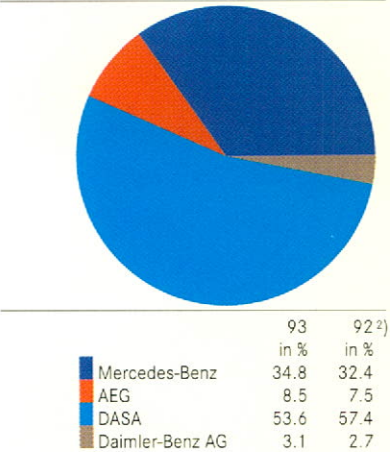
Our joint ventures will achieve cost savings by concentrating on their core areas of activity. Increased technology transfer with other companies, new marketing strategies and development of solutions to transport problems through traffic management systems are focal activities of these joint ventures.

Despite the prevailing adverse economic conditions, we believe the Daimler-Benz group will achieve an increase in business as well as significantly improve the earnings trend.

Investments, Depreciation and Disposals



Research and Development Expenditure¹⁾
DM 9.0 Billion (1992: DM 9.6 Billion²⁾)



¹⁾ Including contract research.
²⁾ Comparably calculated through the consolidation of Fokker.

Operating Activities of the Group

The Corporate Units at a Glance



Mercedes-Benz

Total		
DM Amounts in Millions	1993	1992
Sales Revenue	64,696	66,480
Investments in Property, Plant and Equipment	2,609	4,199
R+D Expenditure	3,151	3,119
Employees (12/31)	209,933	222,482

Passenger Car Division		
DM Amounts in Millions	1993	1992
Sales Revenue	38,448	39,601
Investments in Property, Plant and Equipment	1,276	2,722
R+D Expenditure	2,068	2,008
Production (Units)	480,571	529,428
Unit Sales	508,078	520,245
Employees (12/31)	90,248	95,492

Commercial Vehicle Division		
DM Amounts in Millions	1993	1992
Sales Revenue	26,215*)	26,879
Investments in Property, Plant and Equipment	1,017	1,072
R+D Expenditure	1,083	1,111
Production (Units)	241,606	277,346
Unit Sales	253,939	275,149
Employees (12/31)	84,925	90,786

*) Sales revenues excluding Mercedes-Benz CharterWay companies (DM 33 million).

AEG Daimler-Benz Industrie

Total		
DM Amounts in Millions	1993	1992
Sales Revenue	11,012	11,324*)
Foreign Share in%	41	41*)
Employees (12/31)	58,921	60,784

Automation		
DM Amounts in Millions	1993	1992
Sales Revenue	2,793	2,969
Foreign Share in%	41	40
Employees (12/31)	14,980	16,008

Electrotechnical Systems and Components		
DM Amounts in Millions	1993	1992
Sales Revenue	3,029	3,127
Foreign Share in%	39	38
Employees (12/31)	16,823	17,711

Rail Systems		
DM Amounts in Millions	1993	1992
Sales Revenue	1,501	1,493
Foreign Share in%	35	39
Employees (12/31)	8,257	7,490

Domestic Appliances		
DM Amounts in Millions	1993	1992
Sales Revenue	2,580	2,653
Foreign Share in%	40	42
Employees (12/31)	9,795	10,052

Microelectronics		
DM Amounts in Millions	1993	1992
Sales Revenue	973	917*)
Foreign Share in%	52	47*)
Employees (12/31)	7,439	7,763

*) Microelectronics consolidated pro rata.

Deutsche Aerospace (DASA)

Total		
DM Amounts in Millions	1993	1992
Sales Revenue	18,626	20,654*)
Foreign Share in%	69	67
Employees (12/31)	86,086	94,293*)

Aircraft		
DM Amounts in Millions	1993	1992
Sales Revenue	10,301	10,560*)
Foreign Share in%	69	67
Employees (12/31)	46,863	51,781*)

Space Systems		
DM Amounts in Millions	1993	1992
Sales Revenue	1,368	1,909
Foreign Share in%	79	76
Employees (12/31)	4,463	4,864

Defense and Civil Systems		
DM Amounts in Millions	1993	1992
Sales Revenue	2,847	3,620
Foreign Share in%	34	36
Employees (12/31)	12,387	14,369

Propulsion Systems		
DM Amounts in Millions	1993	1992
Sales Revenue	3,127	3,609
Foreign Share in%	66	62
Employees (12/31)	15,347	16,338

Other Business Activities		
DM Amounts in Millions	1993	1992
Sales Revenue	983	956
Foreign Share in%	60	66
Employees (12/31)	7,026	6,941

*) Adjusted to take account of significant changes in consolidation (Fokker).

Daimler-Benz InterServices (debis)

Total		
DM Amounts in Millions	1993	1992
Total Revenue	9,500	7,944
Employees (12/31)	8,812	8,258

Systemhaus		
DM Amounts in Millions	1993	1992
Total Revenue	1,650	1,545
Employees (12/31)	6,196	6,210

Financial Services		
DM Amounts in Millions	1993	1992
Total Revenue	6,749	5,716
Employees (12/31)	1,570	1,398

Insurance Brokerage		
DM Amounts in Millions	1993	1992
Total Revenue	68	44
Employees (12/31)	351	273

Trading		
DM Amounts in Millions	1993	1992
Total Revenue	371	436
Employees (12/31)	84	69

Marketing Services		
DM Amounts in Millions	1993	1992
Total Revenue	561	205
Employees (12/31)	319	138

Mobile Communications Services		
DM Amounts in Millions	1993	1992
Total Revenue	152	20
Employees (12/31)	173	57

debis Real Estate Management		
DM Amounts in Millions	1993	1992
Total Revenue	6	—
Employees (12/31)	23	—

Even our youngest "customers" can rely on us because the engineers of Mercedes-Benz have always worked hard for safety. Always one step ahead, the Mercedes-Benz safety engineers invented the crash test and such trend-setting safety features as the crumple zone and the safety passenger cell. New Mercedes passenger cars continue to set new standards in the field of active and passive safety.

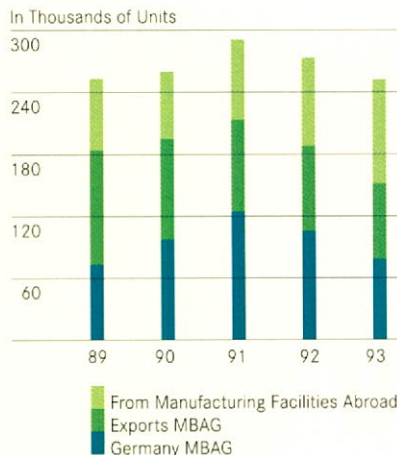
Corporate Unit Mercedes-Benz

Consolidated sales of Mercedes-Benz for the 1993 financial year totalled DM 64.7 billion (- 3%). We took the opportunity in the difficult business environment which characterized this year to make key decisions for the company. Bold measures were implemented to make our organizational structures and processes more efficient in order to safeguard the competitiveness of our German-based operations. We expanded the global presence of our company and laid the foundation for future growth by carrying out a strategic restructuring of our product policy.

Mercedes-Benz Passenger Car Sales World-Wide



Mercedes-Benz Commercial Vehicle Sales World-Wide



Sales Crisis in West European Automotive Sector

The automotive sector was one of the areas hardest hit by the recession in Western Europe.

Passenger car sales suffered in nearly all Western European markets as prevailing economic uncertainty depressed consumer spending. This was not offset by the more positive market trend in the USA and various newly industrializing countries. With a pronounced weakening in the Japanese market as well, the world wide demand for passenger cars diminished by 4% and thus to its lowest level since 1987.

Low investment confidence and growing surplus capacity in the trucking industry have slowed the replacement process in European commercial vehicle fleets. Replacement volume had been especially dynamic in previous years, due to European integration and German unification. During 1993, purchases were postponed due to the unfavorable overall economic outlook causing a sharp drop in sales in major European commercial vehicle markets. In contrast, the upturn in the USA grew stronger, especially the heavy duty trucks. Strong market growth was also achieved in various newly industrializing countries in South America and Asia.

The Western European automotive sector, faced with unfavorable sales trends at home, was forced to noticeably cut production of both passenger cars and, to a greater extent, commercial vehicles.

Competition on prices and terms in the commercial vehicle sector intensified further, and price pressure increased sharply even in the luxury segment of world passenger car markets as a result of growing surplus capacity.

The entire European automotive sector was forced to implement far-reaching measures to bring about lasting cost reductions. 1993 was marked by plummeting profits, reduced working hours and workforce reductions throughout the industry.

Mercedes-Benz: Sales of DM 65 Billion

With sales revenue of DM 64.7 billion (1992: DM 66.5 billion), Mercedes-Benz held its own in an extremely harsh business environment. While our volume of business in Western Europe fell by 12% to DM 38.3 billion as a result of the recession, we were able to boost sales revenue by 22% to DM 10.0 billion in the United States, thanks in part to a strengthening of the dollar against the Deutschmark. Growth was also achieved in South America, Eastern Europe and, above all, in the newly industrializing nations of Asia. In Japan, conversely, we could not avoid a drop in sales revenue of 10% to DM 2.5 billion.

In the Passenger Car division, revenues totalled DM 38.4 billion, down 3% from the previous year. Revenues of the Commercial Vehicles division were reduced by 2% to DM 26.2 billion.



The Mercedes-Benz range extends from sleek SL convertibles for the sporty individualist to E-class station wagons catering to the family. For all their diversity, the different models have in common the typical Mercedes-Benz qualities which are prized by our customers the world over. Children, in particular, appreciate the advantages of the practical and versatile E-class station wagon.



In many important areas, the C-class shows the way ahead in the compact saloon car segment.



New styling features since spring 1994: the S-class.



Enthusiastically received by visitors to the 1993 Frankfurt Motor Show: Vision A 93 – forerunner of the new A-class.

Mercedes-Benz Passenger Cars: Market Position Strengthened by C and E-Classes

The unit sales corresponding to the consolidated revenues fell during 1993 to 508,100 (1992: 520,200) passenger cars.

With the introduction of the new C-class and the updated E-class in mid-1993, we were able to increase our market position substantially in Germany. S-class sales were affected by the recession in Germany, although less than the rest of the market, the S-class therefore improving the market share within its segment. Due to the weak first half of the year, new registrations of Mercedes-Benz cars, at 209,900, failed to reach the previous year's volume of 239,000 vehicles.

We sold 289,300 passenger cars abroad and were able to maintain the strong volume of 287,400 unit sales, we achieved the previous year. While unit sales fell in Western Europe and Japan as a consequence of the recession, growth was seen in the Asian newly industrializing countries, Eastern Europe and Latin America. Since the new C-class could not be delivered to American customers until year's end, sales in the US market also fell to 61,900 (1992: 63,300) passenger cars.

In response to the generally unfavorable demand situation in the 1993 financial year and in order to reduce inventories, Mercedes-Benz cut passenger car production by 9% to 480,600 vehicles.

Mercedes-Benz Commercial Vehicles: Market Position Maintained

Our commercial vehicles also suffered from the difficult business conditions in Western Europe. Worldwide we sold 253,900 vehicles during 1993. This amounts to 21,200 fewer units than in the previous year, a drop of 8%.

Following the excellent years of 1991 and 1992, our new registrations in Germany fell by 25% to 82,200 commercial vehicles.

Double-digit declines were also posted in other Western European countries, with the result that unit sales in Western Europe outside Germany lagged 14% behind the previous year's level. Despite greatly intensified competition, we were able to maintain our position as the leading manufacturer of trucks over 6 tons, with a 30% market share in Western Europe.

We achieved strong results in overseas markets. Our subsidiary, Freightliner, made a major contribution to that success. With sales of 36,800 (1992: 27,400) Class 8 trucks (upwards of 15 tons), Freightliner was able to improve the position of market leader which it attained the year before, with a share of almost 24% in this fiercely contested market.

A total of 241,600 (1992: 277,300) commercial vehicles rolled off the assembly lines at the 46 production sites of the Mercedes-Benz group. Production volume in Germany had to be cut by 26% to 121,200 vehicles due to the market situation in Western Europe. Our foreign plants set a new production record, of 120,400 vehicles, with an increase of 7%.

Increased Competitiveness Through New Structures

Faced with the difficult market situation worldwide, we had to intensify our efforts to improve competitiveness in all areas of the company.

We have set up new performance centers throughout Mercedes-Benz AG which will help to achieve this goal. We have strengthened our internal management structures and organization through extensive delegation of decision-making and responsibility.





Backbone of local public transport:
the O 405 city bus family,
here a articulated rear-engined version.



The Mercedes-Benz heavy-duty truck series:
a strict focus on the needs of our customers
and ongoing improvements in
environmental compatibility improves both
the economy of our vehicles and the competitiveness
of our customers' operations.

As part of the vigorous restructuring which we implemented during 1993, the number of hierarchical levels and the number of positions at each level were sharply reduced. Accordingly processes and decision-making chains are both faster and more flexible.

We will increase the capacity utilization efficiency at our plants, thereby improving the productivity of the capital deployed, by new methods of decoupling working times from operating times. With the introduction of teamwork and the optimization of work processes, productivity and the quality of labor have increased.

Reductions in the Workforce

The weakness in important markets and growing pressure to reduce costs necessitated reductions in the workforce at Mercedes-Benz, as was the case throughout the industry.

At year's end, the group had 209,933 (1992: 222,482) employees including 9,992 (1992: 10,752) trainees and apprentices. At Mercedes-Benz AG, the workforce fell by 9,982 to 159,098 employees. Reductions affected the factories as well as the administrative headquarters and sales organization.

Further reductions in the workforce to protect the international competitiveness of our German-based operations are unavoidable. Given the continued high level of surplus capacity in Western Europe, the Commercial Vehicle division will be most affected by future cutbacks.

Customer satisfaction with Freightliner trucks is the foundation of our success in the newly emerging NAFTA region. Our Freightliner subsidiary widened its lead in the US market for Class 8 trucks (upwards of 15 tons) with an increase in its market share to 24%. During 1993 sales of Freightliner increased by approximately 40% to 45,800 trucks. (see following pages)

Signal for the Future

At the end of 1993, the Board of Management and the labor council concluded an internal agreement regarding improved competitiveness and workforce reductions at Mercedes-Benz AG. This agreement opened the way both for economically viable production of the new A-class at the Rastatt plant and for a socially acceptable implementation of further necessary reductions in personnel. This means that measures already initiated to boost productivity can be continued in 1994.

This agreement will strengthen our production operations in Germany and the long-term profitability of the company.

TANDEM – A New Concept for Relations with Suppliers

We focused on relations with the supply industry using an innovative, comprehensive plan developed during 1993. This new plan is called TANDEM to reflect the joint goal of increasing the competitiveness of all parties. Within the framework of TANDEM we involve our partners more deeply than ever before in our company's internal processes. The experience and ideas of our suppliers are utilized even more intensively than in the past, for mutual gain.

Purchasing volume at DM 39 billion, was 4% below the previous year's level. As a result of our increased activities in new purchasing markets, more purchases were made from outside Germany. Since some TANDEM projects led to significant cost savings in the year under review, price trends were slightly down.

DM 2.6 Billion Invested in Property, Plant and Equipment

To protect our competitiveness in the automotive field well into the future, we pursued vigorously our planned investment projects despite the strained profit situation of the company.

In the Passenger Car division the focus of our investment budget of DM 1.3 billion was on preparations for production of the new C and E-classes, the gasoline and diesel engines with 4-valve technology and the conversion to water-based paints.

In the Commercial Vehicle division, our European investments were concentrated on converting our model range to environmentally compatible engines and the updating of the light duty trucks. Worldwide we spent over DM 1 billion to enhance our model range with even greater precision to the complex demands of the different markets.

Expansion of Our Worldwide Sales Network

We further strengthened our sales organization with investments of DM 224 million (1992: DM 219 million). Approximately half of these funds were used to expand and modernize our sales and service organization in Germany, with special emphasis on the new Federal states.

In order to maximize the sales potential for our passenger cars and commercial vehicles in Eastern Europe, the Commonwealth of Independent States, China, South East Asia and South America, we have increased our efforts to set up sales and service organizations in those countries.

New Passenger Car Plant in the USA

In September, 1993, the decision was made to build a new Mercedes-Benz plant in Tuscaloosa, Alabama, in the southern United States. The plant will manufacture a sports utility vehicle with 4-wheel drive. This will give us a foothold in a new market segment with exceptional growth prospects. This vehicle will represent a new series in the Mercedes-Benz range. The favorable sales prospects in the United States, as well as the intensity of the competition in this segment led us to choose this location.

Production of the A-class in Rastatt

After long and difficult negotiations with the labor council, the Board of Management decided to produce the new A-class in Rastatt beginning in 1997.

The decision in favor of the location in Germany was made possible by the volume of cost reductions agreed upon by the labor council and management.

The A-class concept offers compact outer dimensions with extremely generous and variable use of interior space, as well as a level of safety unmatched in its class. With this vehicle, Mercedes-Benz has redefined the segment of sub-compact cars.





R & D Expenditure DM 3.2 Billion

In order to react even faster to the evolving demands of our customers worldwide, we have implemented new forms of interdisciplinary project management in our research and development departments. The supply industry, through the TANDEM plan, was also integrated in this process at a very early stage.

The year's outstanding model innovation was the new C-class, which was presented to the public in June, 1993, in four different model versions.

We also refined the E-class considerably, with a model update in June. The Mercedes-Benz commercial vehicle range was also upgraded during 1993 with new, environmentally compatible engines and various product improvements.

Outlook

There is no significant improvement in sight in the business conditions for our company in 1994.

Although we expect continued growth in our United States markets, the economic weakness in Europe will improve at best, only gradually. Nor can any significant recovery in Japanese automotive demand be expected, although the newly industrializing nations in Asia and Latin America show good prospects.

In order to keep our German based operations competitive, we must increase the measures already implemented to boost productivity.

We will actively expand the global market presence of our company, as well as the worldwide activities of Mercedes-Benz in the areas of purchasing, manufacturing, research and development.

All our efforts in the Passenger Car division are directed at strengthening our position as manufacturers of exclusive vehicles by expanding our range to include products for new, growing market segments.

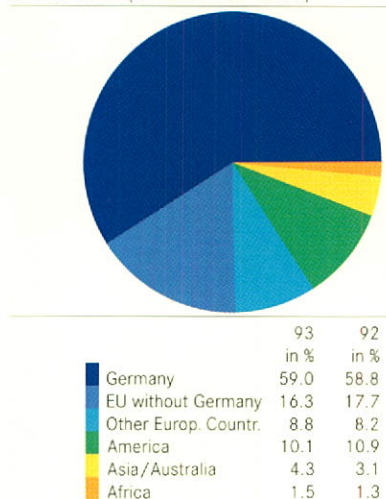
Our foremost goal in the Commercial Vehicle division is to offer individualized solutions to the transportation needs of our extremely diverse worldwide customer base.

Corporate Unit AEG Daimler-Benz Industrie

Adverse economic conditions had a substantial impact on business at AEG. Although incoming orders rose due to an increase in foreign business, sales revenue fell below the previous year's level. We intend to align future business policy at AEG more closely to the strategic position of the Daimler-Benz group and we have already launched wide-ranging structural programs. The goal of these measures is to close loss-making activities and to strengthen the strategic basis and earnings capability of the future fields of activity.

Sales by Regions AEG Group

DM 11.0 Billion (1992: DM 11.3* Billion)



*) Consolidated pro rata.

Further Decline in Business in the West German

Electrical Engineering Industry

1993 saw a fall of almost 7% in the output of the West German electrical engineering industry. The decline was caused by the adverse conditions for foreign business, the fall in demand in Germany and the economic problems facing customers in important areas such as mechanical engineering, road vehicle building and the chemical industry. Sales and incoming orders fell sharply from their levels of the previous year, by 5% and 6%, respectively. The fall in business was particularly marked in Germany, while

AEG is playing its part in ensuring that Shanghai's school children are punctual. Constructed by the "German Shanghai Metro Group" consortium headed by AEG, the metro system will be extended in stages in the coming years. In May, 1993 operation commenced on the first seven-kilometer section of track. The metro project is a major milestone in the development of an efficient infrastructure for this fast-growing Southern Chinese metropolis. (see following pages)

foreign business declined by almost 1%. Further falls in capacity utilization made it necessary to cut back production and drastically reduce workforce levels by almost 8%.

High Level of Incoming Orders from Foreign Markets

Incoming orders in the AEG group totalled DM 12.1 billion, 2% over the comparable figure for the previous year. The increase was generated solely by the foreign markets, where demand increased by 16% to DM 5.3 billion. Orders from Germany were down by 7%.

The largest increase in orders of 25% was recorded in the Rail Systems field of activity. This was attributable especially to large orders from abroad, for example for a city rail system for Kuala Lumpur, Malaysia, a monorail system for Newark Airport in the USA, and a mass transit system for the City of Toronto in Canada.

A positive trend was also recorded in the Microelectronics field of activity, largely due to a marked increase in orders at TEMIC TELEFUNKEN microelectronics.

The Automation field of activity experienced a substantial loss of momentum, particularly in the area of industrial automation, due to weak domestic demand. However, postal automation showed a positive trend due to a high level of incoming orders from foreign markets.

Orders in the Electrotechnical Systems and Components field of activity failed to match the levels of the previous year. The components division was particularly hurt by the recession.

Sales Down on the Previous Year

Sales revenue of the AEG group at DM 11.0 billion were 3% less than the comparable figure for the previous year. In Germany revenues fell by 3% to DM 6.5 billion; revenues in foreign markets also fell by 3%, to DM 4.5 billion.

The growth in sales in Rail Systems resulted largely from the invoicing of projects in Germany and from the first-time consolidation of Kiepe Elektrik GmbH.

The increase in sales in the Microelectronics field of activity was based on the good performance by TEMIC TELEFUNKEN microelectronics in the area of semiconductors and vehicle equipment.

In Automation, revenues fell slightly short of the previous year's level, since the recession led to a fall in business particularly in the industrial systems division.

The Electrotechnical Systems and Components field of activity presented a divided picture. While the Energy Systems Technology division achieved a slight growth in sales, business in the Components division was below the previous year's level due to the strong impact of the recession.

In Domestic Appliances, falling foreign business resulted in a slight decline in sales from the 1992 level.

Restructuring the Group

The business goals of AEG will in future be aligned more closely to the strategic positioning of the Daimler-Benz group. AEG will in the future comprise only those business activities

- which contribute track-bound products and systems to the core transport business of the Daimler-Benz technology group,
- which offer strategically important microelectronics technology to the group and the external market,
- which are responsible for industrial tasks within the group which do not strictly belong to the automotive or aerospace sectors, along with those which have evolved from AEG's traditional business focus.

The restructuring of the group will also involve divesting activities which lie outside the strategic core businesses of AEG and the Daimler-Benz group, such as domestic appliances, lighting systems and power meters.

The joint venture formed with Electrolux in 1992 involving a joint production structure – initially for wet appliances – fulfilled the expectations of both partners. However, 1993 saw changes in the operating environment of AEG Hausgeräte: the continuing concentration in the retail trade throughout Europe, the joining together of competitors as well as the appreciation of the DM relative to other currencies.

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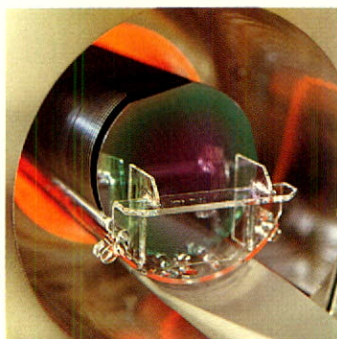
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In the field of process automation, minimal primary energy consumption and operating effort plus optimized logistics are the principal market requirements. These requirements are met at the pilot facility in France where the Geamatics B central process control system controls and monitors cement production.



Silicon wafers, used in the manufacture of integrated circuits, entering a diffusion oven on a 'quartz carrier'.

It was decided at the end of 1993 that AEG would withdraw from domestic appliances. A preferential offer was given to Electrolux to acquire all operations in this field of activity.

Structural Program for AEG Rail Systems

The reorganization of the Rail Systems field of activity is a central element in the overall AEG structural program. Acquisitions made over recent years have caused revenues to increase. It is now necessary to complete the integration of these activities. Postponement of orders by the German Federal Railways, surplus capacity in the German rail industry particularly in the mechanical sector, and increased access of Western European competitors to projects for the German core market have significantly depressed the profitability of revenues.

Rationalization and cost-cutting programs have been started with a goal to strengthen competitiveness. Any remaining overlap between activities at different sites will be eliminated and co-ordinating functions will be centralized at the Hennigsdorf site. The level of vertical integration will be reduced in all areas. Highly labor-intensive activities will be transferred to low-cost locations. This will lead to the closure of AEG's Berlin Nonnendamm site. All programs are scheduled to be completed by the end of 1995.

Investment in Modernization Programs

Investment by the AEG companies in 1993, including the assets taken over from newly acquired companies, totalled DM 764 million (1992: DM 916 million).

Investment activity concentrated on modernization at AEG Schienenfahrzeuge in Hennigsdorf, projects in the Domestic Appliances field of activity and projects at TEMIC in Nuremberg. Outside Germany, AEG invested principally in the Pittsburgh Technology Centre for Systems Electronics, in the USA, the administration and service premises in Greece and the TEMIC plants in South East Asia and Mexico.

Systems-Oriented Research and Development

At DM 764 million (1992: DM 726 million), research and development expenditure increased from the previous year and as a proportion of sales revenue increased to 7%.

Principal areas of research and development activity included systems engineering, postal automation systems, a new generation of rail cars, local public transport concepts and products, semiconductors and vehicle electronics.

More than 58,900 Employees

Worldwide, AEG employed 58,921 people at the end of 1993, 44,591 of these in Germany. The reduction of approximately 3% in the total workforce from the prior year is largely attributable to capacity adjustments which were necessitated by the strained employment situation.

Outlook

AEG expects to see a slight expansion in its business volume in 1994, with a slightly stronger increase in foreign markets than in Germany. Increased revenue is expected particularly in the Rail Systems, Micro-electronics and Automation fields of activity. However, the intended divestitures from the Domestic Appliances field of activity and the power meters and lighting systems sectors will reduce consolidated revenues. The restructuring of the AEG group will involve additional industrial activities of the Daimler-Benz group being transferred to AEG. It is planned that AEG will take over the industrial management. It is also intended to integrate the diesel engine and decentralized power supply activities of MTU Friedrichshafen into AEG.

The goal of these measures and of the restructuring program is to close loss-making activities and to strengthen the strategic basis and earnings capability of the future fields of activity in Automation, Diesel Engines, Rail Systems, Energy Systems Technology, Microelectronics and Industrial Holdings.

The process of separating strategic group management tasks from operative business responsibilities, initiated in 1993, will continue. Staffing in the central group functions was slashed in 1993 to approximately 25% of former levels. Effective January 1, 1994, the required central service functions are performed in independent units, with a view to improved efficiency and more transparent costs and structures. Despite the first signs of a stabilizing economic environment in 1994, there have been no signs of

improvement in the German electrical engineering industry, as stabilization means a continuation of extremely depressed revenues as well as the underutilization of capacities.

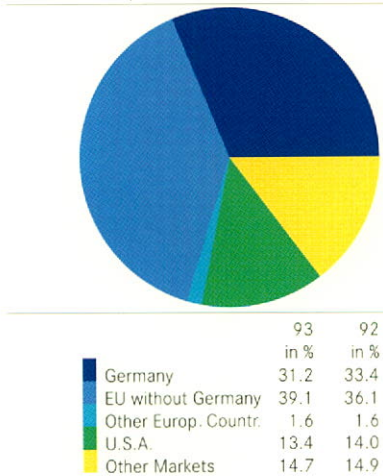
This is also the case for AEG. Furthermore, we have to continue our comprehensive restructuring program in 1994, which forms a necessary part of our new strategic direction. These restructuring programs will have a one time charge which will result in lasting cost reductions in future years.

All of our measures to secure the future should turn around earnings in 1995.

Corporate Unit Deutsche Aerospace (DASA)

The operating environment of Deutsche Aerospace deteriorated further in 1993. The result was a decline in business in virtually all areas. We are reacting to these dramatic changes with a rigorous program to improve structures, adjust capacity and reduce costs. Greater efficiency is essential if we are to continue to have an active role in global markets. We have also intensified our policy of partnerships with other companies to further strengthen our position in the world markets. The comprehensive programs to improve profitability will continue.

**Sales by Regions
DASA Group**
DM 18.6 Billion (1992: DM 20.7 Billion)



**Crisis in the Aerospace Sector
Necessitates Structural Changes**

Deutsche Aerospace was hurt simultaneously by worldwide economic weakness, the cancellation of long-term budgets and the structural crisis affecting the airlines. In addition, competition in the world market is becoming fiercer. Many competitors receive increasingly massive state support in the USA and Japan, and new competitors are emerging from Eastern Europe and the Far East.

The fastest and safest mode of transport of our times must be serviced and refuelled before every take-off. The four-engine A340 has been in use on regular services since April, 1993. On its record-breaking 48-hour flight around the world in June, 1993, all previous records for long-haul flights were shattered and new standards were set in international air travel.

Deutsche Aerospace reacted to the dramatic changes in its economic environment with a rigorous package of programs to make structures more efficient, adjust capacity and reduce costs. In addition, the international competitiveness of DASA will be protected and expanded through an aggressive and targeted presence in the market.

The Aircraft division needs to reorganize production structures and eliminate excess capacity through consolidation. In the Space Systems and Propulsion Systems divisions, new structures were put into place during 1993. Considerable resources are being put into expanding non-military activities in the Defense and Civil Systems division.

One key element of our ongoing effort to secure the company's future is our market offensive in China, South East Asia and America.

International Partnerships to Safeguard the Core Business

Through increased cooperation with international partners, a competitive critical mass will be attained in a contracted market. Multilateral partnerships are inevitable, given the complexity and growing financial costs of large aerospace projects, the globalization of markets, the intensity of competition and the reductions in public funds. Through numerous acquisitions, joint ventures and partnerships at the national and international level, we have achieved a strategic position that improves our situation in the world market.

The acquisition of a majority stake in the Dutch aircraft manufacturer, Fokker, significantly improved our strategic position in the Aircraft division. We now have a complete product range from small turboprop aircraft to large jets. We are also, together with our Airbus partners Aero-spatale, British Aerospace (BAe) and Construcciones Aeronauticas (CASA), working with Boeing on a feasibility study for a very large commercial aircraft.

One promising development for the future came in the form of a "memorandum of understanding" signed by four aero-engine manufacturers, MTU, Snecma, Pratt & Whitney and General Electric to develop a new engine in the thrust range between 12,000 and 20,000 lbs.

We intensified our activities in Eastern Europe and the People's Republic of China by concluding a number of cooperation agreements in various aerospace fields.

Deutsche Aerospace (24.5% share), together with Deutsche Bundespost Telekom (51%) and ANT Bosch Telekom (24.5%) founded Romantis GmbH. Now the activities of the partners in satellite communications will be together. Supported by local companies, Romantis will offer language (telephone), data and television services in Eastern Europe via the Intelsat VI satellite, and establish the link-up with Western telecommunications networks. Accordingly, Romantis is making an important contribution to infrastructural expansion in Eastern Europe.

In South America we initiated a further project to expand our commercial satellite business. As the leader of a consortium with Aero-spatale and Alenia, we entered into a 24-year license contract with the Argentinian Comision Nacional de Telecomunicaciones (CNT) for the commercial satellite-based communications system, Nahuel. The operating company, Nahuelsat S.A., was formed in December, 1993. We also entered negotiations for the formation of a satellite-manufacturing joint venture.

Sales Down in Almost Every Area

At DM 18.6 billion, sales of the Deutsche Aerospace group, including the newly acquired Fokker group, were 10% below the comparable sales for the previous year. With only a few exceptions, business in all areas was down. Especially affected were the Defense and Civil Systems and the Propulsion Systems divisions. The Space Systems division also experienced substantially lower revenues due to invoicing factors. Business in Germany weakened by 16% to DM 5.8 billion (1992: DM 6.9 billion). Foreign sales fell by 7% to DM 12.8 billion (1992: DM 13.8 billion) and accounted for 69% of group sales. Military sales fell to 29% of total business volume, largely as a result of the disproportionate decline in Military purchases and the first-time inclusion of Fokker. Incoming orders were also down, totalling DM 15.6 billion or 8% less than the orders for the previous year. However increases in customer orders were received by the Propulsion Systems division and by our joint venture with AEG, TEMIC Telefunken micro-electronic GmbH.



Satellite aerals undergo intensive tests before going into orbit. In the compact range test facility, the conditions in which aerals will be operating in space are simulated. Satellite aerals play a key role in space missions, functioning as the communication link between the satellite and the ground control center. Deutsche Aerospace and its subsidiary, Dornier, are the world's leading suppliers of aerals for communications and remote sensing satellites.

Renewed Emphasis on Aircraft Activities

With the integration of Fokker, the Aircraft division now contributes more than half of the total consolidated sales. Revenues of DM 10.3 billion were slightly lower than the comparable figure of the previous year. The Deutsche Aerospace Airbus business unit was almost able to compensate for lower sales in other units. The first deliveries of the Dornier 328 did not, from a sales perspective, have an impact during 1993.

Incoming customer orders fell again, to DM 7.6 billion (1992: DM 9.1 billion). While new orders in the Deutsche Aerospace Airbus business unit remained at the very low level of the year 1992, the Tornado contract from Saudi Arabia led to a marked increase in military aircraft orders. All other business units, however, experienced drastic declines in customer orders.

Space Systems Influenced By Large Projects

Sales revenue in the Space Systems division are influenced to a significant extent by large projects. In contrast to the previous year, no individual major projects were invoiced in 1993, which resulted in a considerably lower sales level of DM 1.4 billion (1992: DM 1.9 billion). Large contributions, once again, came from ongoing invoicing in the Ariane and Columbus projects. Customer orders of DM 1.5 billion (1992: DM 1.7 billion) also failed to reach the high level of the previous year.

Defense: Sales Now Sharply Down

The downward trend in customer orders experienced by the Defense and Civil Systems divisions for a number of years was for the first time fully reflected in sales for 1993. At DM 2.8 billion (1992: DM 3.6 billion), revenues were 21% lower than in the previous year. The already very low level of customer orders declined further by 6% to DM 2.3 billion (1992: DM 2.4 billion).

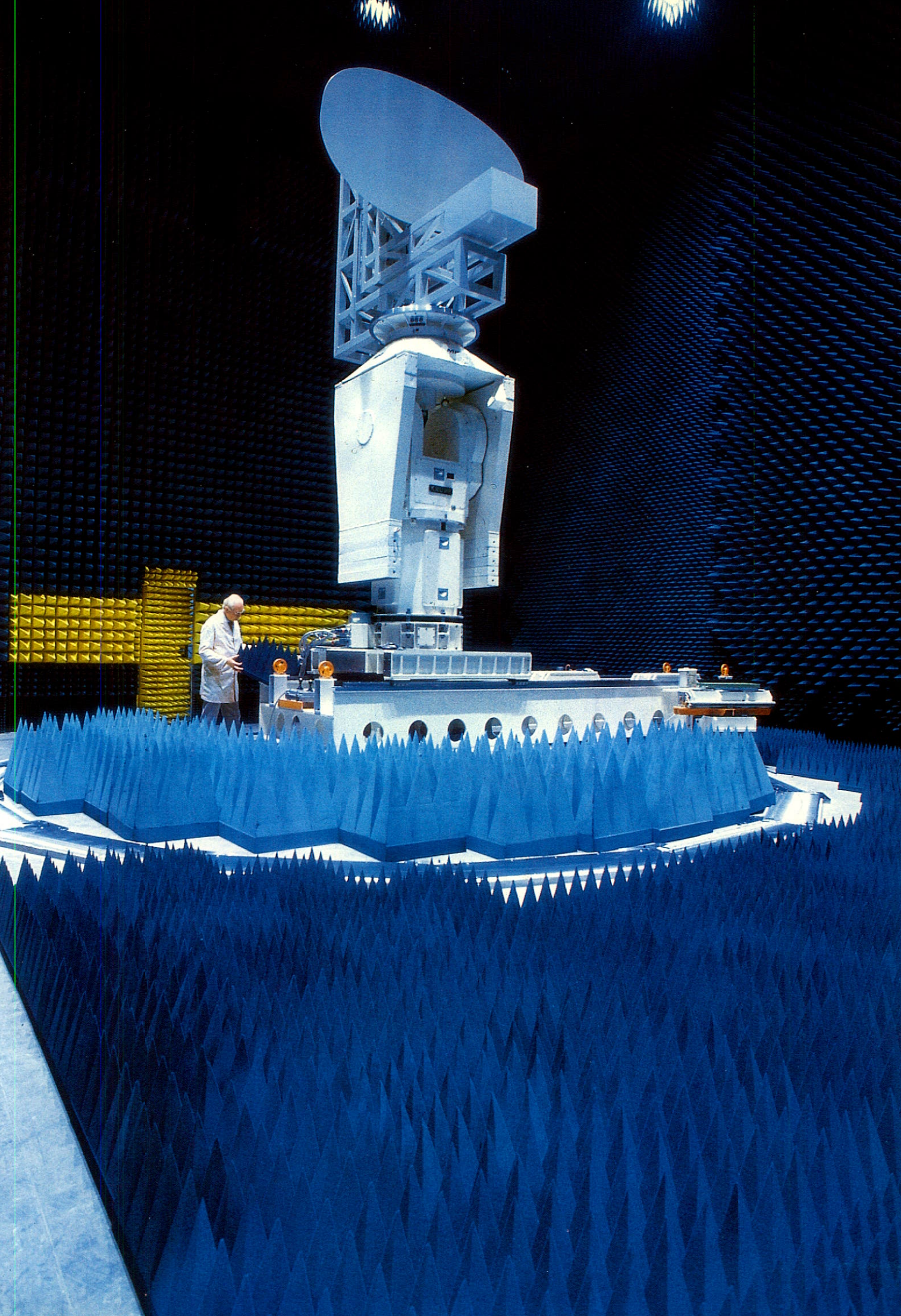
Propulsion Systems: Decline in Sales in All Business Units

Sales in the Propulsion Systems division dropped 13% from the previous year's level to DM 3.1 billion (1992: DM 3.6 billion). Especially hard hit was the Aircraft Propulsion Systems business unit. However, one major order for each of the business units Aircraft Propulsion Systems and Propulsion Systems Land/Marine Applications resulted in a considerable increase in customer orders to DM 3.2 billion (1992: DM 2.8 billion) after a low overall level the previous year.

Workforce Reductions and Reduced Working Hours Inevitable

Deutsche Aerospace had 86,086 (1992: 94,293) employees at the end of 1993, including 3,560 trainees and apprentices. Deutsche Aerospace AG employed 17,363 (1992: 20,051) people, including 843 trainees and apprentices. The persistent worsening of economic conditions led to extensive underutilization of capacity in all areas of the group. This made further reductions in the workforce unavoidable. In addition, reduced working hours had to be implemented for over half of the workforce.

46,863 (comparably calculated for 1992: 51,781) people were employed in the Aircraft division, 4,463 (1992: 4,864) in Space Systems, 12,387 (1992: 14,369) in Defense and Civil Systems and 15,347 (1992: 16,338) in Propulsion Systems. In other business activities, which largely comprise the joint venture TEMIC, which is included on a pro rata basis, and medical systems, 7,026 (comparably calculated for 1992: 6,941) were employed.





In the Aircraft division of DASA, Fokker is systems manager for 65 to 120-seater regional jets.

Capital Expenditures Decreased

Due to the difficult economic situation, we have limited our capital expenditures to the minimum necessary level. As a result and despite the first-time consolidation of Fokker, capital expenditures were lower than in the previous year. We invested DM 1.0 billion (1992: DM 1.2 billion) in property, plant and equipment in the group and DM 100 million (1992: DM 200 million) in Deutsche Aerospace AG. Production was reorganized to accommodate new technological and structural challenges and non-military products. We also put considerable funds into expanding the production of airbags.

Commissioned Research and Development

Expenditures on research and development projects for third parties also fell as a result of overall weak business conditions to DM 3.9 billion (1992: DM 4.5 billion), representing 21% of sales revenue. Our in-house research and development funding to protect our future operations was at the previous year's level of approximately DM 0.9 billion or 5% of sales revenue. Total research and development expenditures amounted to DM 4.8 billion (1992: DM 5.5 billion). In the Aircraft division, expenditures were concentrated on the Airbus A330/A340, Dornier 328 and Eurofighter (EF 2000) programs. In Space Systems, the main emphasis was on the ERS-2 (European Remoted Sensing Satellite), Cluster, Columbus, Polar Platform and Ariane. In the Defense and Civil Systems division, we concentrated particularly on the Pars 3 program and also expanded activities in non-military sectors. In the Propulsion Systems division we focused on the EJ 200 engine for the EF 2000, development of non-military engines and two new diesel engine series.

Outlook

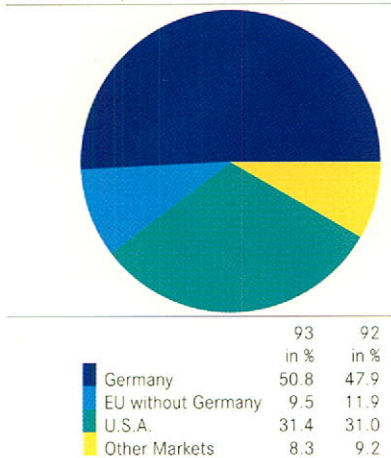
During 1994, we expect a modest increase in sales revenue. In the Space Systems division, higher revenues can be expected particularly due to delivery of the ERS-2 satellite. We also anticipate moderate growth in the Propulsion Systems division. In the Aircraft division positive results can be expected only from deliveries of the Dornier 328, which began at the end of 1993. In the Defense and Civil Systems division, increase of production in the Stinger program to the target volume should offset declines in other projects. We will continue through to 1996 with the comprehensive program already initiated to cut costs and improve performance. Even with numerous programs to improve efficiency and structures, a further reduction in capacity is essential. By the end of 1996, we must eliminate approximately 10,000 more jobs and close several plants. This will reduce overhead to be highly competitive and DASA's position in international competition will be significantly enhanced. We have initiated an internally funded product development program to increase market penetration which will provide a strong basis for future growth.

Corporate Unit
Daimler-Benz InterServices (debis)

debis increased its total 1993 revenue by 20% to DM 9.5 billion. Intensified competition on prices and terms caused us to initiate a vigorous campaign in 1993 to reduce costs and increase efficiency. The international emphasis of our activities was further increased in all divisions.

Total Revenue by Regions
debis Group

DM 9.5 Billion (1992: DM 7.9 Billion)



Services sector also affected
by the recession

The services sector was affected by the adverse world economic situation in differing degrees. Suppliers of information technology services for industry suffered from the reduction of project orders. Investment in standard software also declined sharply. However some service sectors were unaffected by the recession. In Germany, vehicle leasing acquisition reached, to a large extent, the high level of the previous year, despite reduced vehicle sales due to the low level of economic activity. In the USA, leasing was popular and led to an increase in demand for capital goods. Demand for mobile communication services greatly increased.

debis: Continued Growth

debis increased its consolidated revenues during 1993 by 20% to DM 9.5 billion. 51% of total revenue was generated in Germany, 10% in other European Union (EU) countries, 31% in the USA and 8% in other markets. Total revenue include sales revenue of DM 8.7 billion and interest income from sales financing receivables of DM 0.8 billion. Consolidated net income of debis declined in 1993 to DM 18 million (1992: DM 122 million).

There was a sharp increase in business with customers outside the Daimler-Benz group, which increased from 79% to 83% as a proportion of total revenue. In financial services and bartering, almost all business was with external customers; the share of external business in the other divisions was in excess of 50%.

Although additional acquisitions were made during 1993, the increase in revenues of debis was largely due to growth in existing areas of the company. The Financial Services division had a substantial expansion in business, which was due to increasing internationalization as well as an expanded range of services offered.

Large Investment in
Leased Equipment

Additions to leased equipment grew by 5% to DM 6.2 billion.

Our investment in property, plant and equipment increased in 1993 by 16% to DM 200 million. As in the past, this largely comprised data processing equipment. Modern computer operating systems were installed in our foreign financial services companies.

To be able to receive calls anywhere at any time is now an essential requirement in business. In the private sector too, while still considered a luxury, mobile communication is becoming increasingly popular and, in 1993, was one of the few growing markets in Germany. debitel further improved its position in this promising industry and with 100,000 customers strengthened its role as the leading supplier of mobile communication services in Germany.

8,812 Employees in the debis group

The consolidated companies of the debis group employed 8,812 people at the end of 1993, an increase of 7% from the previous year. 7,527 people were employed in Germany and 1,285 abroad. Of the total, 6,196 were employed in the Systemhaus division, 1,570 in Financial Services, 351 in Insurance Brokerage, 84 in Trading, 319 in Marketing Services, 173 in debitel and 23 in dIM (debis Real Estate Management). 223 interns were receiving training at year end.

debis Systemhaus:

debis Systemhaus increased its total revenue by 7% to DM 1.7 billion. This growth was contributed primarily by the CCS group. However, the Cap debis group suffered because of the difficult economic conditions which negatively affected the software products market. The results of this division were further depressed by necessary provisions for future restructuring programs.

Diebold, the third subdivision of debis Systemhaus, further increased its total revenue and profit in the market for high technology and management consulting services.

Financial Services: Further Internationalization

The Financial Services division increased its total revenue – excluding the 50% owned subsidiary Solovam, which was not consolidated – by 18% to DM 6.7 billion.

In Germany, the favorable trend was assisted by passenger car leasing programs in cooperation with Mercedes-Benz AG.

In the USA, an increase in commercial vehicle contracts compensated for declines in passenger car contracts. The newly founded Mexican subsidiary made a positive contribution to sales and income on an operating basis.

In the early part of 1993 we established another leasing and sales financing company in Denmark. Now debis offers financial services in 13 countries.

New business worldwide increased by 22% to 195,000 acquisitions, for a volume of DM 12.9 billion. At year-end, the total number of contracts outstanding totalled 435,000, corresponding to a total value of DM 22.8 billion. debis Aviation Leasing supported the financing of four aircraft during 1993. Two operating type leases were completed, for an Airbus A 340 and another for an Airbus A 300.



**debis was one of the main
suppliers of computer systems
for Munich's
Franz-Josef Strauss Airport.**





Creativity is the name of the game: modern bartering methods offer many different possibilities for promoting trading relations between contrasting markets and opening up new sales channels. During 1993, debis Trading facilitated exports worth DM 500 million to countries weak in foreign currency. Particularly in the Asian region, substantial bartering transactions were concluded.

Insurance Brokerage

In a market characterized by large insurance claims, debis Assekuranz GmbH steadily expanded its volume of business; commission totalled DM 68 million on a premium volume of DM 0.6 billion.

Trading: Successful Partnerships

The services of the Trading division facilitated exports totalling DM 500 million in 1993 to countries weak in foreign exchange. Total revenue amounted to DM 371 million (1992: DM 436 million). The decrease in 1993 is attributable largely to invoicing factors.

In December, 1993 debis AG purchased the remainder of debis International Trading GmbH from the Treuhandanstalt.

Marketing Services: Further Acquisitions

In spite of the difficult economic environment, the Marketing Services division increased its 1993 revenues to DM 561 million (1992: 205 million). This is primarily due to the first time consolidation of GFMO, Gesellschaft für Media Optimierung mbH, a company acquired in 1992.

Mobile Communication Services: Dynamic Market Growth

As a provider of mobile communication services, debitel profited from the dynamic market growth in Germany which followed the entry into service of the 'D-networks'. Our joint venture with Metro is now the market leader among the carrier-independent service providers. Total customers served were 106,000 with a total revenue of DM 152 million.

In May, 1993, 2 MTel, the French joint venture with Metro, commenced operation.

Outlook

debis is ready for the diverse demand trends and the intense competition in the individual services markets. With our superior range of individual services and complete systems, we have excellent prospects to increase earnings and total revenues. Additionally, our business dealings with external customers will continue to increase.

Joint Venture Companies

In its first full financial year, TEMIC focused on expanding its international structures in the fields of development, manufacturing and sales. Mercedes-Benz CharterWay swiftly became established in its markets; demand for long-term Mercedes-Benz commercial vehicle rental, which this company provides, is high.

TEMIC Telefunken microelectronic GmbH – Reorganization and Expansion of Global Structures

In TEMIC's first full financial year, the focus was on a reorganization of the various business activities and an expansion of the global development, production and distribution structures. The volume of business increased to DM 1.5 billion, although depressed markets handicapped sales to the consumer goods and automotive industries.

The semiconductors sector now unites five of the world's leading specialists in the field of application-specific, customer-oriented semiconductor products: TELEFUNKEN in Heilbronn, Siliconix in Santa Clara, California, MATRA MHS in Nantes, France and Dialog Semiconductor in

Long-term rental of Mercedes-Benz commercial vehicles under the trade name Mercedes-Benz CharterWay enjoys growing popularity with our customers. It is not difficult to see why: Mercedes-Benz CharterWay takes care of vehicle administrative duties, residual value risks, repair, maintenance, taxes and tolls and guarantees transport capacity at all times. CharterWay provides immediate assistance if a vehicle is out of commission.

Munich and Swindon, United Kingdom, as well as EUROSIL in Hong Kong. This group is supported by the TEMIC Integrated Circuits Development Center (EZIS) in Ulm, Germany. TEMIC's semiconductors and design ideas are sold around the world in the following target markets: computers, telecommunication, motor vehicles, entertainment electronics and industrial applications. In order to remain abreast of technological development, we concluded a license agreement concerning development and manufacture of a new 8-bit micro controller architecture with the American semiconductor manufacturer INTEL. In the framework of long-term cooperation, we concluded an agreement with Japan's Mitsubishi Electric Corporation, so that we will continue to be assured access to leading CMOS technology. We took our first step into the growing Chinese market with the formation of Simconix in Shanghai – a joint venture between Siliconix Inc., Santa Clara, and the Shanghai Institute of Metallurgy – which will produce and test semiconductor components.

In the microsystems field we develop, produce and market custom-made solutions consisting, for example, of sensors, hybrids and application-specific integrated circuits (ASICs).

Micro-switch and foil switch systems provide the control interface between man and machine in a great many industrial products and systems. In this field, we recorded a growth in sales of vehicle electronics systems.

In the vehicle equipment field we are developing innovative systems with a high electronics content and high quality standards. Our market position was significantly strengthened by the latest generation of control units for anti-lock braking systems (ABS) and the sensor systems and gas generators for airbags and belt-tensioners. Business in the field of fractional horsepower motors for installation in the exterior mirror and seat adjustment, window control and heating and ventilation systems of motor vehicles was static due to depressed conditions in the automotive industry. However, sales of anti-theft systems are increasing.

We are now suppliers to more than half of the world's largest automotive manufacturers. These successes prompted us to construct a new production facility at the TEMIC plant in Nabern and, at considerable investment cost, to expand capacity at the Aschau plant. We also opened a new production plant for microelectronics and vehicle equipment in Nuremberg and commenced construction of a plant in Mexico for the manufacture of electronic components and systems for the NAFTA markets.

The cable harness activities of TEMIC Telefunken Kabelsatz GmbH (TKG) in Mühlheim, which specializes in development and manufacture of cable harnesses for wide-ranging applications in the automotive industry, were taken over on December 31, 1993, by the American company Electro-Wire Inc., of Dearborn, Michigan.

Mercedes-Benz CharterWay

Since the start of business in early summer, 1992, long-term rental of Mercedes-Benz commercial vehicles under the tradename Mercedes-Benz CharterWay has become a vital tool of sales promotion. This is illustrated, among other things, by the numerous requests for information which have been received from markets where CharterWay is not yet offered. To date, CharterWay's activities are located in Belgium, Germany, France, the United Kingdom and the Netherlands. In these markets, rental contracts for approximately 3,000 vehicles had been initiated by the end of 1993, most of which in the second half of the year. Following the successful launch phase, we are confident that our CharterWay concept will become even more firmly established in the market. The striking benefits for the customer, who incurs no risk relating to the sale of the used vehicle, repair and maintenance and downtime provides a promising basis. The relief from administrative vehicle management tasks is also a great benefit.



Central Corporate Functions within the Group

Research and Technology

Daimler-Benz has concentrated its research activities, which are acquiring increasingly international orientation, at its new Ulm Research Center. The research sectors carry out projects in close collaboration with the various corporate units and with diverse institutions within and outside Germany. An example of successfully implemented synergy is the interdisciplinary TRAFFONIC project for vehicle and transport research.

Daimler-Benz Research Center in Ulm Completed

The Daimler-Benz Research Center on Oberer Eselsberg, to the northwest of Ulm's city center, commenced operations with an opening ceremony on October 19, 1993. Building costs amounted to DM 270 million. The Research Center, which can accommodate 1,000 employees, makes a significant contribution to the scientific city of Ulm. Alongside the universities, the affiliated institutes run jointly by industry and the state and a "Science Park" geared to the needs of small and medium-sized companies. The existing and continually improving close contact between the individual institutes is intended to promote exchange between academic and industrial research both within and beyond the frontiers of the growing technological region of Ulm.

At the new Daimler-Benz Research Center, research projects are carried out for our corporate units and fields of activity. Additionally as a "hub of knowledge" for the group it also develops key technologies which provide an important basis for securing competitive advantages on the growing markets of tomorrow. The spectrum of activities includes:

- Microelectronics,
- Functional and structural materials,
- Production research and the environment,
- Energy research and
- Information technology.

The increasing significance for the group of information technology was emphasized in 1993 with the establishment of a separate research sector. The information technology researchers in Ulm develop new computer applications, technologies and concepts.

The Enterprising Researcher

In a communication process encompassing the entire research division, a new model of the "enterprising researcher" has been developed and incorporated into the Daimler-Benz research program. This model of "strategy-oriented entrepreneurial management" is based on the researcher's displaying an "enterprising spirit within the enterprise". The enterprising researcher makes full use of the opportunities provided to him regarding visions, goals and resources within the overall strategy of his field of research.

In order to deepen the knowledge required for this purpose in the fields of strategic competence and orientation towards the market and the customer, the research and technology division, together with the training sector of Daimler-Benz AG, has developed a management skills program encompassing the topics of innovation management, strategy and marketing.

Globalization of Research

Activities in the field of research and technology are becoming increasingly internationalized. The trends are towards co-operation with research institutes throughout the world, student

and employee exchange programs with internationally renowned research institutes and the involvement of scientists in the research and development activities of group companies outside Germany. Examples of this are:

- Industrial cooperation with Aero-spaciale (France), United Technologies (USA) and Mitsubishi (Japan),
- EU-subsidized European research and worldwide joint research projects and
- Research cooperation with competent research institutes in the CIS countries and in the USA.

Such cooperation serves to incorporate international expertise and new impulses and experience into research work. Tangible results have already been achieved in the fields of materials and material technologies, both of which are crucial competitive factors in the design of future products.

The AIT Program: Pan-European User Initiative

A further example of internationalization is the pan-European industrial user initiative "Advanced Information Technology in Design and Manufacturing" (AIT) launched by the Daimler-Benz research division.

The current situation in European industry shows that the suppliers of information technology (IT) do not adequately cater to the needs of users. Headed by Daimler-Benz, 17 large European IT users from the automotive and aviation industries have, accordingly, devised a project which is being sponsored by the European Union (EU). The objective of which is to determine future IT requirements in development and production, so that IT suppliers can develop appropriate solutions.

Advances in Vehicular and Transport Research

The TRAFFONIC synergy program has been brought to a successful conclusion after a period of more than four years. Mercedes-Benz, Deutsche Aerospace and various Daimler-Benz research departments have jointly developed new vehicular functions. Interdisciplinary expertise across the group was indispensable for the noteworthy successes achieved, especially in the fields of radar sensor technology and speech processing in road transport. With the support of the corporate unit Deutsche Aerospace and the TEMIC joint venture, many of the TRAFFONIC projects are now being further developed to production standard.

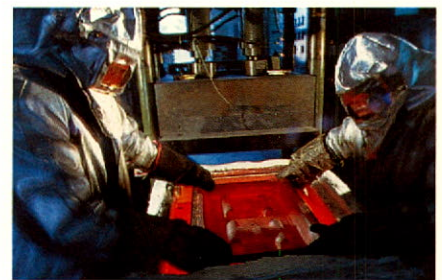
Traffic Management by Intertraffic

In 1993, Daimler-Benz AG acquired all the shares in ITF Intertraffic Gesellschaft für Integrierte Verkehrsmanagement-Systeme, which previously all corporate units of the Daimler-Benz group held shares. The company brings together the know-how of the Daimler-Benz group in the fields of traffic management systems, transport systems and information technology.

ITF is playing a leading role in implementation of the traffic management system STORM. This project requires the Daimler-Benz research division, the Transport Ministry of Baden-Württemberg, the City of Stuttgart and various other major companies to jointly conduct trials of advanced traffic information and advice systems in the Stuttgart region. Data linkage between public and private transport



Silicon nitride powder mixture drying in the rotary evaporator – a preliminary stage in the manufacture of sintered ceramic parts for the automotive industry.



These engineers are forming "super-elastic" thin sheet titanium at 900 degrees Celsius. The fruits of their labors: tailor-made parts for the aerospace industry.

In the sound lab: in 26 thousandths of a second, the airbag inflates into a balloon-like safety cushion. Scientists in Ottobrunn measure the blast from the gas explosion in their efforts to make the inflation process still more efficient. The Daimler-Benz research department carries out continuous development work on the airbag with a goal to provide even greater safety for the customer.

provides the basis for the following six pilot projects:

- traffic information system
- individual guidance system
- constantly updated park and ride information
- connections information
- fleet management and an
- aid call system.

The STORM project infrastructure will be completed by the end of 1994 and will undergo trials through the end of 1995.

Also, ITF will participate in a company which builds, operates and arranges financing for individualized traffic management systems.

The Channel Tunnel Vehicle STTS in Operation

Following the completion of the tunnel under the English Channel, the innovative inductive track guidance system, which we developed for the Service Tunnel Transport System (STTS), will commence operations. The track-guided special vehicles, developed by Mercedes-Benz AG in collaboration with the Daimler-Benz research division and AEG, travel along the tunnel's 4.8 meter (approximately 16 feet) wide central shaft, which serves as a maintenance facility and an escape route. Tests by the tunnel operator confirmed the system's efficiency and its robustness in the event of a malfunction.

Psychological Analysis of Driver Errors

Motor vehicles move in traffic more safely when they meet the needs and cater to the individual characteristics of the driver. To make progress in this area, vehicle developers must become familiar with, among other

things, the mistakes made by the driver. With the help of psychological fault analysis, Daimler-Benz researchers have compiled error profiles for various vehicle categories and driver groups. The influences of stress, experience and age on error frequency have been evaluated.

It has been shown, for instance, that high stresses placed on the driver in traffic can lead to mistakes; however, there was no evidence that driving errors result in higher stress levels. The hypothesis that increased experience levels reduce the frequency of errors was confirmed.

Another experiment disproved the commonly held belief that the frequency of driving errors increases with age. Here, too, experience plays the decisive role: older drivers with a greater level of experience made the least errors of all groups investigated.

Non-Contact Battery Charging in the Electrically Powered Vehicle

The transmission and conversion of electrical energy is also showing technical advances.

When power is transmitted at frequencies in excess of 20 kHz, the space and weight requirements of electromagnetic components along with losses occurring in them, are considerably reduced. More importantly, electrical power can be transmitted at these high frequencies over an air gap, without direct contact. New, rapidly switching, economically operating semiconductor components are now making this frequency range viable. This opens up a broad spectrum of highly interesting product opportunities, such as:

- Contact-free charging devices for electric road vehicles,
- Contact-free vehicular drive mechanisms,
- High-voltage power supply for locomotives and
- On-board power supply for all types of vehicles.

Daimler-Benz researchers from the automation field in Frankfurt are currently preparing the necessary technology and systems for the production and operation of such medium-frequency power transmission units.

Mobile Computing and the Automatic Reading of Handwriting

Information is only of value when it is available at the right time, at the right place and in the right language. Accordingly "Mobile computing" is one of the most important requirements placed on modern information technology.

In the field of "Mobile subscribers to networked systems", a basic information and communication technology system is currently being created at the Daimler-Benz Research Center in Ulm. Mercedes-Benz branches are currently testing mobile computing for mobile recording of repair and inspection orders.

In a different field of information technology, Daimler-Benz researchers have been achieving international acclaim and successfully applying their findings in automatic letter sorting systems of AEG Electrocom: on the basis of image and handwriting analysis and of speech and graphic recognition, they have developed concepts and methods for the automatic reading of handwriting. With a recognition rate of over 80%, they have rapidly attained a leading international position.



Microelectronics and Microsystems Technology

Microelectronics research expertise is not only of benefit to products of the future. The Ulm Research Center incorporates a newly established "foundry" - a manufacturing center for gallium / arsenide semiconductor components - where transistors, circuits and other products for the Daimler-Benz group are produced. External customers are now supplied with tailor-made components; as a rule, these are small series of a few hundred chips, the production of which would not be cost effective in a commercial semiconductor production facility.

In a wide range of corporate products such as passenger cars or rail vehicles, in aviation and aeronautics or in drive systems and automation technology, intelligent sensor and actuator components known as smart-power circuits are incorporated (addressable, diagnosable and self-monitoring system solutions), which are being developed by the research division in close contact with technological developments. Using this technology, a control circuit for reluctance motors used for positioning exterior mirrors on passenger cars is being developed together with TEMIC TELEFUNKEN microelectronic GmbH, Heilbronn.

Wheel and suspension acceleration on road vehicles will, in the future, be measured by micro-mechanical sensors integrated on a single chip the size of a pinhead, which convey this data to control units. These new acceleration sensors, developed by researchers at the Munich-Ottobrunn site, are about to go into series production.

New Materials – New Opportunities for Energy and the Environment

The characteristics of new materials are opening up a variety of attractive applications to Daimler-Benz in the field of energy and the environment.

A major focus of continuing development for materials scientists at the Ulm Research Center is functional materials, for example for electrodes and membranes in batteries for electrically powered vehicles. For future generations of the "ZEBRA" sodium/nickel-chloride high-energy battery, jointly developed by the Anglo-American corporation, South Africa, and AEG, Daimler-Benz researchers are currently developing new materials with a goal to reduce operating temperatures, costs and enhancing functionality.

Environmental compatibility is the supreme goal in the "solid oxide fuel cell" research objective. This cell produces electricity from any combustible gas, for example natural gas or hydrogen without a flame, steam or rotating turbine blades, to an efficiency factor of 60%. The development of appropriate electro-ceramics, combinable flat cells and of integrating and connecting technology the Daimler-Benz researchers are making the required know-how available for practical application.

Production Research for the Industrial Society of Tomorrow

1993 saw the initiation of the Intelligent Manufacturing System (IMS) research program, designed on a global scale as a three-way alliance between the USA, Japan and Europe. IMS has the objective of standardizing industrial production and to carry out comprehensive data integration - from placement of orders, development and manufacture to ultimate distribution. As part of the "Rapid Product Development" pilot project, Daimler-Benz is

investigating a closed process chain from the CAD model via prototype production, with such methods as stereolithography, with subsequent return of the measured prototype to CAD data.

Future-Oriented Research – and the Searching Internal Review

The Berlin "Research, Technology and Society" group processes non-technological future-oriented knowledge in order to support the corporate units in operative and strategic processes. On the basis of research results, investigations held to determine whether existing and planned products, services or organizational principles have a realistic future.

The researchers have identified for example, the future trends that will be of relevance for the company and its products in the years to come. The interdisciplinary trend analyses are grouped according to the following observation fields:

- Economic framework data
- Socio-demography
- The environment
- Energy
- City planning and area development
- Transport
- Society, values and behavior
- The working world and leisure time behavior
- Companies.

This is complemented by a research audit; carried out by internal and external experts of world renown. This procedure tests our own research activities for efficiency, effectiveness and quality. The customers of the Daimler-Benz research sector expect products which not only equal or, in most cases, exceed any comparison with the world's best in terms of technology, but also ensure competitive pricing.

Environmental Protection

As a result of amendments to waste legislation in Germany, more emphasis will be placed on residual materials from the manufacture of a product in the future. Together with newly implemented test audits at the production plants and product-based ecological records, the documentation of environmental protection has been further optimized by means of an environmental information system. The segregation and recycling of residual plastics as well as the use of natural materials have shown encouraging test results.

Environmental Protection Investments and Expenditure

In Millions of DM



New Waste Legislation

An important focus of environmental discussion in 1993 concerned the amendments to waste legislation, which focuses on the prevention of waste, through recycling. The new legislation covers all residual materials arising from a product from the manufacturing stage up to disposal. The manufacturer's responsibility has been extended to include designing products which can be recycled several times, produce minimal residual material and have a long service life.

Additional significant changes in the field of waste policy are imminent in the form of the electronic waste and junked vehicle ordinances and the obligation on manufacturers to take back scrapped products; this will also affect the manufacturing and product development sectors. The recycling legislation and the two above ordinances have not yet been passed into law at the present time.

Environmental Information System Acquires Increasing Significance

The central working group "Environmental Protection", comprising all chief environmental officers within the Daimler-Benz group, decided in May, 1993 that the corporate unit, debis, should develop a group-wide environmental information system, which was

subsequently launched at the beginning of 1994. The purpose of this information system is to coordinate the monitoring of facilities, processes and hazardous substances at the various plants and to ensure efficient documentation of environmental protection within the company. The information from the plants' data banks is centrally coordinated to allow environmental protection to be monitored on a group-wide basis.

Environmental Audit for Company Operations

Prior to the EC directive on the voluntary environmental auditing of production plants, test audits were previously performed at two of the group's plants, so that experience could be gained with this instrument. These tests revealed that the legislation, which has come into effect, is lacking detailed analysis criteria. Moreover, the directives reinforce national differences which put German plants, with their high environmental standards, at a disadvantage over foreign plants.

The Product-Related Ecological Balance Sheet

With the further development of environmental legislation, attention is focusing on the overall "balance sheet" of the burden a product places on the environment in manufacture, operation and disposal. The Daimler-Benz

One recycling problem is solved: test facility at the Ulm Research Centre for categorized recycling of composite plastic materials on a purely mechanical basis. Synthetic waste is in this way turned into a new source of raw materials.



Complex plastic waste is segregated into its original constituents before being recycled.



Renewable natural materials are used in the making of the glove compartments in order to help conserve scarce resources.

Research Center in Ulm is placing more emphasis on this issue scientifically sound criteria for measuring the environmental burden of a product must be recognized at an early stage and immediately incorporated into the manufacturing process. On the basis of material and energy balance sheets, ecological weak-point analyses have already been completed for various products of the company.

Investments in Environmental Protection

Investments in environmental protection declined to approximately DM 200 million which was less than that invested in the previous year. The primary reason for this is the high level of investments capitalized in 1992, relating to the conversion to water based paints in car production. Additionally this also reflects the overall declining level of investments in property, plant and equipment.

Recycling Synthetic Material Waste

A further objective in corporate research is the development of processes for the recycling of complex synthetic waste materials created in production. The Daimler-Benz Research Center has succeeded for the first time in mechanically sorting composite synthetic waste created in the manufacture of dashboards into the original materials and reusing these in a high-quality recycling process. As soon as the sorting unit, currently undergoing endurance testing, is put into operation at the Wörth plant, 1,500 tons of waste can be prevented annually and the pure plastic constituents reused in the manufacture of automotive components.

Cooperation with Mitsubishi

In November, 1993, Daimler-Benz and Mitsubishi agreed to commence with two environmental protection projects. Within the framework of a joint research and development project, the recycling of mixed synthetic waste and electronics waste is being researched. In the second environmental cooperation project, it was agreed to work closer together in the recycling of metals from scrap vehicles. In addition, both corporations displayed a renowned cross section of their environmental know how at the 'New Earth Environmental Show' in Osaka in December, 1993.

Conservation of Natural Resources

In a joint venture involving various corporate units, UNICEF and the University of Pará in Belém, Brazil, a variety of materials and methods are being tested for the industrial utilization of natural fibers and other renewable raw materials. During 1993 approximately 6,000 tons of natural materials such as coconut fiber and caoutchouc were processed into parts at small-scale Brazilian production plants and installed in buses and trucks by Mercedes-Benz do Brasil. In addition to various technological advantages, such as a contribution to improved interior climate and greater air permeability, natural fibers are also of considerable ecological advantage, because they dispense with the use of exhaustible resources and no problems are encountered in recycling or disposal.

This project is also significant in terms of development policy. Farmers are able to replace roving cultivation with an environmentally compatible basis of existence as suppliers of fiber to the automotive industry.



The five core topics of internationalization, concentration to the markets, innovative talent, entrepreneurship as the key to competitiveness and social responsibility were the focus of discussions at the Daimler-Benz Congress '93. The discussion of these issues by more than 2,000 senior managers of the company generated a mood of enthusiasm which is making a valuable contribution to the integration of the group.

Personnel

Difficult economic conditions in 1993 created adjustments to the workforce not only at the operating units but also at the Daimler-Benz holding. Reduced working hours in response to fluctuations in activity was also necessary. The workforce of the Daimler-Benz group was reduced by 6% to 366,736; affected by the decline, in particular, were Mercedes-Benz, AEG and DASA. We continue to improve the skills of our employees through basic and advanced training, which is a critical factor in maintaining our international competitiveness.

we have in the past. To keep these redundancies to a minimum, however, new methods of adjusting capacity will also be considered. Emphasis will be placed on the flexible structuring of working time.

A further focus of our personnel work, especially in this difficult year, was the maintenance and further development of our human resource potential. Training in efforts to raise skills continued in the Daimler-Benz group during 1993. Basic vocational and advanced training are considered permanent tasks designed to protect the future of the company and its employees.

Employment Situation

At year-end the Daimler-Benz group employed a workforce of 366,736 (1992: comparably calculated 388,888), on January 1, 1994 employment in the group declined a further 4,546 to 362,190. 284,576 people (1992: 302,464) were employed at the end of 1993 in Germany. In the corporate units of the group the employment situation was extremely strained.

Strengthening Competitiveness in a Difficult Environment

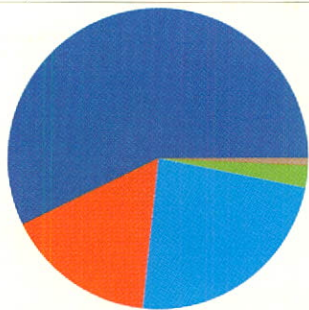
The difficult economic conditions of 1993 made it necessary for the Daimler-Benz group to reduce its workforce and personnel costs. Releasing personnel, especially on the scale that is necessary, is always a painful step. The company not only loses knowledge and experience; the reductions also impair the age structure of the remaining workforce.

In 1993, we tried to make the adjustments in a socially acceptable manner, particularly through normal attrition, early retirement and individual severance agreements. In addition, reduced working hours were used to a considerable extent to accommodate fluctuations in activity. In the corporate units of AEG and DASA, however, redundancies were unavoidable in 1993.

It is our intention that future reductions in personnel, which are necessary if we are to secure our international competitiveness, will be carried out in as socially compatible a manner as possible, though the room for flexibility is more limited. The possibilities for taking advantage of attrition and early retirement have now been largely exhausted. Thus, we will not be able to avoid redundancies as

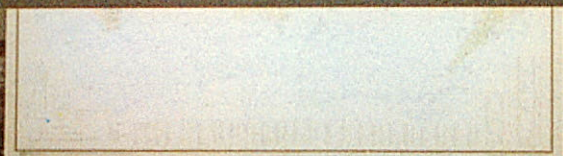
Employees by Division

(at Year-End)



	93 in %	92*) in %
Mercedes-Benz	57.2	57.2
AEG	16.1	15.6
DASA	23.5	24.3
debis	2.4	2.1
Daimler-Benz AG	0.8	0.8

*) Comparably calculated through the consolidation of Fokker.





**Cost awareness is paramount
in a difficult economic environment,
yet it is also important
to have the courage
to invest in the future
of our trainees.**

Mercedes-Benz employed a total of 209,933 people at the end of 1993, including 160,175 in Germany. The workforce declined in Germany by 9,982 from the previous year to 159,098. Reduced working hours were agreed upon in both divisions, particularly the commercial vehicle sector. Generally, workforce reductions conformed to socially compatible measures such as extensive offerings of early retirement and severance agreements.

AEG had a total of 58,921 employees at the end of 1993, including 44,591 in Germany. The workforce declined by 4%. The reductions affected particularly the Automation, Electro-technical Systems and Components, and Microelectronics fields of activity.

At Deutsche Aerospace (DASA) 86,086 people were employed at year-end, including 69,373 in Germany. In comparison with the previous year, the workforce in Germany declined by 8%. Additionally approximately 50% of employees were affected by reduced working hours. The continued dramatic sales decline in the Aircraft, Space Systems and Defense Systems divisions led to the announcement in October, 1993 of significant changes in structure and employment at the DASA group.

Daimler-Benz InterServices (debis) had a total workforce of 8,812 at the end of 1993, including 7,527 people in Germany. Primarily through acquisitions, the workforce increased by 600 from the previous year. Included in this net increase is a reduction of approximately 150 employees at debis Systemhaus due to the difficult business situation.

At Daimler-Benz AG, the executive holding company, a total of 2,984 people were employed at December 31, 1993, of which 540 were in group management functions, 1,274 in group research functions and 1,170 in service areas for the corporate units and the Möhringen location. The workforce declined by 156 employees from the previous year.

Collective Agreements for 1993

In the old Federal states of Germany, wages and salaries rose by 3% effective April 1, 1993, as a result of the pay agreements concluded for the metal-working and electrical industries in 1992. Additionally, the contractually guaranteed special remuneration rose to 60% of a month's pay. The reduction in working hours to 36 hours per week without loss of pay, previously agreed to in 1990, also went into effect on this date. In the new Federal states, the 1991 agreements on gradual adjustment of wage and salary contracts to the level in West Germany were changed only after a labor dispute. The decisive material change consists in an extension of

the phases of the time frame. As of December 1, 1993, pay rates were gradually raised to 80% of the West level. As of July 1, 1994 the ratio will be 87%. After a further increment to 94% on July 1, 1995, the level in the old German states will be the same for all German states by July 1, 1996.

Personnel and Social Welfare Expenditure

Group personnel expenditures increased by 6% to DM 33.8 billion. In connection with the vigorous cost-cutting measures, social benefits were curtailed in all corporate units and in the holding company.

The company pensions, a central element of social benefits in the Daimler-Benz group, remained unaffected. Daimler-Benz AG and Mercedes-Benz AG paid DM 353 million to approximately 53,200 retirees, widows and children in 1993. A total of DM 551 million was allocated to pension provisions at Daimler-Benz AG and Mercedes-Benz AG. AEG disbursed DM 107 million in 1993 and DASA paid DM 113 million. A total of DM 1.4 billion were provided for company pensions in the group.

Private Capital Formation

Assistance in employee stock ownership programs was provided again in 1993 to the domestic group. Daimler-Benz AG, Mercedes-Benz AG, and a few companies belonging to debis participated in these programs. Every entitled employee had the opportunity to purchase a share of Daimler-Benz AG at a discounted price. Approximately 73,000 employees, or 41% of those entitled, took advantage of this offer.

Managerial Development and Planning

Managerial development and planning is characterized by increasingly difficult economic conditions. Executives are also affected by the necessary adjustments in staffing levels.

The 1993 executive staff review reflected a sufficiently large number of qualified junior personnel to meet the expected future need of managerial staff. We are assisting our managerial staff through specially developed training programs to improve their innovative skills and acquiring greater general management competence with a more international profile.

The expansion of networks for knowledge transfer, integration and communication within the group was assisted by the '93 Daimler-Benz Congress in Berlin: in numerous working groups, approximately 2,000 senior managers from domestic and foreign companies of the group discussed issues of internationalization, market orientation, innovative strength, competitiveness and responsibility toward society.

Company Training Activities

Particularly in difficult economic times, the Daimler-Benz group considers the training of junior personnel an important strategic task to protect the future of the company.

At year-end 1993, approximately 12,800 young people were undergoing vocational training in Germany, of which 3,200 young men and women commenced training in 1993. Over 100 of the jobs created by the Daimler-Benz group, in the new Federal states in 1993, exceeded the actual needs and is evidence of the company's strong sense of social responsibility. Training is offered in almost 60 technical trades and 10 different business professions. This training is supplemented by 15 special programs for high school graduates at professional academies.

All corporate units offer advanced training in comprehensive programs consistent with the different fields of activity. The focus of training for senior managerial staff in 1993 was the structural change in the group and its markets.

Expenditures for basic vocational and advanced training was approximately DM 800 million in 1993.

The 1993 IAAF World Championships in Athletics in Stuttgart drew nearly half a million spectators to the Gottlieb-Daimler Stadium. More than four billion people around the world followed the competitions on television. Daimler-Benz and Mercedes-Benz were active sponsors of this extremely successful event.

Preventive Health Care and Occupational Safety

Medical care for our employees is traditionally an essential part of our personnel and social policy. In the German group companies, approximately 230 employees are in the medical care service to provide health care to their peers.

Approximately 200 full-time safety experts ensured on-the-job safety. The success of their work is reflected in the further reduction in accidents in all corporate units.

Thanks to Our Workforce

We would like to express our gratitude to all our employees for their commitment and hard work in a year which was characterized by a very difficult economic situation and painful steps to optimize costs. We also extend our appreciation to the representatives of the labor councils and managerial committees at all levels of our group.

The Company's Role in Society – Public Relations' Promoted Activities

Daimler-Benz sponsors a wide range of projects in social, cultural and ecological areas as well as sports. In addition to the positive benefits to society, our activities also achieve positive effects for the company. Particularly important are the international programs we have designed to promote the advancement of young people.

Our sponsoring policy has two primary goals. First, it should yield tangible benefits for society by concentrating on projects which would not have been possible, or not at the same high level, without the support of Daimler-Benz. Second, by coordinating sponsorship goals with company goals, positive effects should result for the company in the market, as well as specific benefits for our employees.

The primary focus of sponsorship policy within Daimler-Benz AG is our international drive to promote the advancement of young people. In addition to contributing to better international understanding by bringing together young people from different nations and cultures as well as to improve the image of Germany abroad, we are also securing the development of highly qualified, internationally oriented management personnel for the future. The program "Award of Excellence" in cooperation with the Goethe Institute provides an opportunity for selected students from the United States and Canada to live for several weeks with German host families – employees of our company – allowing them to become acquainted with our country and our company. The response to this program within the company and the participants has been so positive

The same strong sense of responsibility which we feel toward our customers also extends to our shareholders and to the general public. This sense of responsibility includes our permanent readiness to engage in critical exchanges of ideas with people outside, and inside the company. This dialogue and cooperation with various groups is assisted by a wide range of sponsoring projects in social, cultural and ecological areas as well as in sports.



GOTTlieb-DAIMLER-STADION STUTTGART

8:22.3



17:04





Müritz.

Since 1989, we have been helping in the development of the Müritz National Park in Mecklenburg-Western Pomerania as part of our ecological sponsorship activities.

that we plan to expand it in the coming years. In the future, we will also invite young people from other countries and regions in which we have growing business interests to visit Germany for several months as guests of the Daimler-Benz group.

Planned activities during 1994 for young Russian economists have been set at several locations within the group. These activities will give them a comprehensive insight into the business practices of German industrial corporations as well as to build a network of links with the future decision-makers in Russia.

Complementing this program are a number of specific activities at foreign locations, such as in the NAFTA region. There, we are offering unemployed young people in Mexico positions as trainees at local group subsidiaries.

The youth projects, which the Group is undertaking, in the new German states are especially timely. During 1993 Daimler-Benz AG held a conference in Hoyerswerda on the subject "Youth and Violence". The conference included the financing of work promotion programs to benefit unemployed youth in cooperation with the Freudenberg Foundation and the German Foundation for Children and Youth. Similar goals are being pursued by the Youth Projects in Mannheim, which has a long tradition of assisting young people.

In the sponsoring of cultural programs and sports, promoting a new generation plays an important role. This is also true of our support for young artists in which we offer sponsoring through various methods.

The Daimler-Benz Junior Cup, an international youth soccer tournament, held annually in Sindelfingen, in which employees of the Daimler-Benz group are among the participants, not only contributes to communication among young people across Europe, but also provides the SOS-Kinderdorf in Sarajevo with desperately needed financial support.

Finance and Materials

We have merged group-wide functions of the Finance and Materials division at the headquarters in Stuttgart-Möhringen. Important events in 1993, among other things, were the obtaining of a long-term rating by Standard & Poor's and Moody's Investors Service, the preparation and implementation of the New York Stock Exchange listing of the Daimler-Benz shares and the activities in connection with the Purchasing Drive in the New Federal States.

Group Treasury

During 1993 we continued to develop the concept and technical aspects of our central cash management and included the European group companies in the cash concentration process.

In the area of cash management, flexibility and efficiency were further improved through increased use of commercial paper programs, especially in Germany and the USA. Through active portfolio management, we invested long-term funds primarily in fixed interest rate instruments of first-class issuers and, to a smaller extent, in investments in shares of other companies.

As in the past, the task of foreign exchange management consisted of ascertaining and limiting, by foreign exchange hedging methods, the currency risks of the operative sectors, particularly with regard to USD and JPY and also for selected European currencies. We will continue in the future to be guided in our strategy by continually updating currency rate expectations and will employ the financial instruments individually depending on the currency and business field.

The financing needs of the group are essentially handled by Daimler-Benz AG and its network of regional holding and finance companies. The networks, in their function as financial hubs, procure external funds on the

national and international markets and pass these funds to the operating companies. This method enables the financing costs to be lower than through direct refinancing by the operating companies in the local markets

Due to the continuing growth of the financial services business, we again used the various international capital markets in connection with the central procurement of funds for financing. We focused on borrowing under our Euro medium-term note program, and were able to support the needs of our leasing and sales financing companies very flexibly. Due to the scope of this borrowing we limited ourselves to a few activities involving the standard Eurocurrency loans. We performed a securitization of sales financing receivables in the USA for the first time, with the goal of extending our investor base and diversifying our financial instruments.

As part of our Treasury activities we also make use of derivative money and capital market instruments to limit the group's financial risk and improve financial results.

The handling of financial transactions and the use of the financial trading instruments in connection with central cash and foreign exchange management and the central refinancing tasks is governed by financial trading guidelines and thus subject to strict regulation. Accordingly, we employ electronic systems with defined financial control parameters which take functional distinctions into account.

A hierarchically structured reporting system, which is steadily improved upon, shows us risk areas and potentials very early on and provides us with up-to-date information on which to base decisions. Since we make extensive use of electronic data processing systems in our cooperation with external associates, we give great importance to data security.

Financial Planning and Control

To minimize the cost of capital in financing group activities, we optimize the allocation of the existing funds in the group, along with the distribution channels through which the necessary capital from outside and inside the group, is provided to the users within the group.

We view the maintenance and improvement of the financial flexibility of the group as an important goal. Our mobility shows itself, for example, appropriate to the business needs, in the fact that gross liquid funds are available within the group (at year-end 1993 over DM 10 billion). Additionally, we finance less than two thirds of our financial services externally and the rest from group funds. An external refinancing level as high as 90% is customary in the industry.

With a view to financial security, we always supply our foreign subsidiaries with enough equity so that they can refinance themselves on a stand-alone basis regardless of the opportunities for fund procurement through our centrally controlled regional holding and finance companies.

During 1993, there were larger requirements for funds, above all in the domestic areas of the group. These were covered notably by freeing DM 3 billion in funds from inventories and by generally raising the efficiency of working capital management.

In the 1993 financial year, Moody's Investors Service and the Standard & Poor's ratings group for the first time issued long-term ratings to bonds and issues under the Euro medium-term note program guaranteed by Daimler-Benz. Both agencies rated the good credit standing of Daimler-Benz with Aa3 and AA, and particularly stressed the group's favorable financial profile. These strong ratings improve possibilities for borrowing on the international debt markets.

Sales and Project Financing

Supporting worldwide sales of group products increasingly requires specific product and customer related financing solutions in addition to the offering of standardized financing programs. We need innovative financing and hedging facilities for projects of units operating in the infrastructure sector.

In traditional export financing we made use of the opportunities provided by the existing financing and hedging instruments. We also have financings in which these methods are not utilized. For construction and assembly projects in Eastern Europe and the Far East, tailored financing solutions were developed.

The further recovery of the economies of the countries of Latin America, Central Europe and in part, the Far East, contrasted with a partial deterioration of political stability and the economic climate in several countries of Africa, Eastern Europe and the CIS. Restrictive policies continued for the approval of credit risk insurance, and resistance by international banks were met within these regions. This required greater effort to structure financing solutions.

Key Figures of Major Subsidiaries of Daimler-Benz AG

	Owner- ship ¹⁾ in %	Stock- holders' Equity ²⁾ in Millions of DM	Net Income ²⁾ 1993 in Millions of DM	1992 in Millions of DM	Sales Revenue ³⁾ 1993 in Millions of DM	1992 in Millions of DM	Employment at Year-End 1993	1992
Corporate Unit Mercedes-Benz								
Mercedes-Benz AG, Stuttgart	100.0	6,435	- 1,141.6 ⁹⁾	785.0	48,068	54,071	159,098	169,080
Mercedes-Benz España S.A., Madrid	100.0	240	- 30.8	21.0	1,243	1,814	2,829	3,255
Mercedes-Benz (United Kingdom), Milton Keynes ⁴⁾	100.0	. ⁵⁾	. ⁵⁾	. ⁵⁾	2,219	2,057	967	1,026
Mercedes-Benz Nederland, Utrecht ⁴⁾	100.0	. ⁵⁾	. ⁵⁾	. ⁵⁾	862	1,168	628	665
Mercedes-Benz Belgium S.A./N.V., Brussels	100.0	122	8.2	42.7	1,028	1,080	868	925
Mercedes-Benz France, Rocquencourt ⁴⁾	100.0	. ⁵⁾	. ⁵⁾	. ⁵⁾	2,701	2,789	2,039	2,093
Mercedes-Benz Italia, Rome ⁴⁾	88.5	254	- 41.0	- 27.5	1,938	2,927	724	779
NAW Nutzfahrzeuggesellschaft Arbon & Wetzikon AG, Arbon	100.0	24	3.6	1.0	138	185	480	551
Mercedes-Benz (Schweiz) AG, Zurich	51.0	97	- 4.0	1.8	780	888	289	306
Freightliner, Portland ⁴⁾	100.0	. ⁵⁾	. ⁵⁾	. ⁵⁾	5,034	3,510	7,770	6,247
Mercedes-Benz of North America, Montvale ⁴⁾	100.0	. ⁵⁾	. ⁵⁾	. ⁵⁾	5,429	5,163	1,483	1,561
Mercedes-Benz Mexico, Mexico D.F. ⁴⁾	80.0	372	61.3	58.0	787	733	1,673	1,524
Mercedes-Benz do Brasil, São Bernardo do Campo ⁴⁾	100.0	1,010	79.3	- 81.2	3,457	2,676	16,946	20,109
Sofunge S.A., São Paulo	100.0	33	- 4.8	- 1.0	119	66	1,763	1,896
Mercedes-Benz Argentina, Buenos Aires ⁴⁾	100.0	246	27.0	21.8	593	483	2,493	2,481
Mercedes-Benz of South Africa, Pretoria ⁴⁾	78.5 ⁶⁾	188	7.9	0.2	1,378	1,274	3,630	3,978
Mercedes-Benz Türk A.S., Istanbul	55.6	67	6.5	4.7	951	612	3,195	2,998
Mercedes-Benz Japan Co. Ltd., Tokyo	100.0	297	8.3	26.7	2,585	2,735	433	433
Mercedes-Benz (Australia), Mulgrave/Melbourne ⁴⁾	100.0	85	3.0	0.7	470	472	747	714
Corporate Unit AEG Daimler-Benz Industrie								
AEG Aktiengesellschaft, Berlin and Frankfurt/Main	80.2	2,160	- 923.1	10.1	4,043	4,283	16,310	20,053
AEG Hausgeräte AG, Nuremberg	80.0	285	14.6	59.9	2,278	2,334	8,371	8,496
AEG Bahnsysteme GmbH, Berlin	100.0	90	11.1	38.1	609	572	2,199	2,106
MODICON, Inc., Andover/USA ⁴⁾	100.0	. ⁵⁾	. ⁵⁾	. ⁵⁾	287	251	881	928
Corporate Unit Deutsche Aerospace								
Deutsche Aerospace Aktiengesellschaft, Munich	100.0	4,140	- 987.0	- 596.9	3,663	4,083	17,363	20,051
Deutsche Aerospace Airbus, Hamburg	100.0	1,255	159.8	410.8	4,793	4,806	21,151	22,309
Dornier, Friedrichshafen ⁴⁾	57.6	758	- 336.6	- 236.6	2,123	2,683	8,239	9,071
MTU Motoren- und Turbinen-Union München, Munich ⁴⁾	100.0	338	- 174.8	- 147.9	3,131	3,612	15,347	16,338
N.V. Koninklijke Nederlandse Vliegtuigenfabriek Fokker, Amsterdam ⁴⁾ 7)	51.4	452	- 410.7	-	3,304	-	10,414	-
Eurocopter Holding S.A., Paris ⁴⁾	40.0	2,342	- 135.0	8.0	2,933	3,423	10,813	11,681
Corporate Unit Daimler-Benz InterServices (debis)								
Daimler-Benz InterServices (debis) AG, Berlin	100.0	1,936	- 106.2	28.8	-	-	179	204
Mercedes-Benz Lease Finanz, Stuttgart ⁴⁾	100.0	285	86.7	21.2	2,183	1,843	526	461
Mercedes-Benz Credit, Norwalk/USA ⁴⁾	100.0	. ⁵⁾	. ⁵⁾	. ⁵⁾	2,839	2,375	457	402
Mercedes-Benz Finance Co. Ltd., Tokyo	90.0	63.4	5.8	- 0.8	2.9	0.6	31	29
Joint Ventures								
TEMIC TELEFUNKEN microelectronic GmbH, Heilbronn	100.0	609	- 146.8	- 38.2 ⁸⁾	855.7	425.8 ⁸⁾	3,300	3,376
Siliconix Inc., Santa Clara ⁴⁾	80.4	87	12.5	7.4	281.5	243.9	1,496	1,499
Regional Holding and Finance Companies								
Daimler-Benz Holding AG, Zurich	100.0	354	58.7	17.0	-	-	-	-
Daimler-Benz UK, London ⁴⁾	100.0	282	16.8	24.6	-	-	6	6
Daimler-Benz Holding France, Rocquencourt ⁴⁾	99.9	305	- 13.4	3.7	-	-	2	-
Daimler-Benz Holding Nederland B.V., Utrecht ⁴⁾	100.0	158	4.2	12.0	-	-	-	-
Daimler-Benz Holding Belgium S.A./N.V., Brussels	100.0	222	31.1	94.6	-	-	-	-
Daimler-Benz Coordination Center S.A., Zaventem	100.0	663	56.0	79.3	-	-	23	18
Daimler-Benz North America Corporation, New York ⁴⁾	100.0	3,895	169.3	137.4	-	-	26	17

1) Relating to the respective parent company.

2) Stockholder's equity and net income/net income before income transfer taken from national financial statements; foreign financial statements converted at year-end exchange rates.

3) Converted at average exchange rates.

4) Preconsolidated financial statements.

5) Included in the consolidated financial statements of the holding company in the respective country.

6) Allowing for an option, 76.6%.

7) First consolidated in 1993.

8) Short business year.

9) Excluding extraordinary income of DM 1,042.0 million.

Programs of public institutions to aid the financing of delivery and investment projects are important not only for the newly industrializing and developing nations of Africa, Asia and Latin America, but increasingly also for the countries of Eastern Europe and the CIS. There are also opportunities in connection with technical assistance and rehabilitation programs which are used for the financing of products of our group.

It will continue to be a central task of trade and project financing to minimize financing risks in order to support product sales and, at the same time, to maintain the group's latitude for financing.

Investor Relations Activities

As part of our investor relations activities we provide comprehensive information on our enterprise and its development, to financial analysts and institutional investors, as well as to our private shareholders and potential investors, both domestic and foreign. We address all our shareholders and the general public through our annual and interim reports.

For private shareholders, we organized an Investor Relations Forum in the Stuttgart Liederhalle auditorium in June, 1993, together with DG Capital Management. We introduced our company to over 1,000 interested guests, giving them a survey of the activities of the Daimler-Benz group. In view of the exceedingly favorable response, we will stage further events in the future specifically addressed to private investors.

In addition, we take the information requirements of institutional investors and financial analysts into account through round-table discussions and company presentations. The increasing demand for round-table discussions, which we hold at our headquarters in Stuttgart-Möhringen, indicates that this form of communication with the capital market has become indispensable.

We hold company presentations in Germany and in major foreign finance centers, in close cooperation with renowned commercial and investment banks. The high point of these activities was an extended roadshow in the USA, where we conducted presentations and individual talks with investors in Los Angeles, San Francisco, Portland, Chicago, Boston and New York in preparation for our New York stock listing. To give US investors and financial analysts direct and timely access to company information, we established an Investor Relations Office in New York parallel to introducing the stock there.

Investments in Related Companies Mergers & Acquisitions

It was again our policy in 1993 to adjust or round out the core business segments of the group through the formation of joint ventures, divestitures, and selective acquisitions, and in this way to secure our competitive position. As specific examples, a transaction structure was developed; businesses were appraised and analyses of companies performed (due diligence) in connection with purchases; and concepts for investments in related companies and management concepts were elaborated.

Beyond the consulting-related duties we exercised the asset protection function for the group by evaluating the group's subsidiaries and affiliates as to performance and, where required, developing methods for improvement together with the corporate units. These ranged from optimization of capital employment to consideration of joint ventures and divestitures.

In the framework of subsidiary and affiliate administration, we assisted with and exercised Supervisory Board duties for the group companies, followed and assessed ongoing projects, and drafted decisions for the internal bodies.

Purchasing Drive in the New Federal States Supports Upswing in the East

The "Purchasing Drive in the New Federal States" initiated in 1992 by West German enterprises can look back on encouraging results in the first full year in which it was in effect. Important contributions were also made by the companies of the Daimler-Benz group. Purchases from the new Federal states were increased to over DM 800 million (1992: DM 600 million). Despite the continued difficult economic situation we expect that the purchasing goal of DM 1 billion in the new Federal states expected for the year 1995 can be achieved, if not exceeded.

We want to assure as efficient a procedure as possible for making contact with and selecting potential suppliers from Eastern Germany. For this purpose we have created a special project organization "Purchasing Drive in the New Federal States in the Daimler-Benz Group": with the Daimler-Benz holding company exercising overall coordination. Project officers have been appointed in every corporate unit who steer the activities of their particular company.

To achieve optimum communication between potential suppliers and the companies of the Daimler-Benz group and to effectively support the existing links, "sponsorships" were introduced in the fall of 1993. Ten experienced managers from the group are each responsible for ten companies.

Information concerning potential suppliers, such as the range of products offered, financial data and previous talks with group companies are collected by the Materials sector of Daimler-Benz AG in an information data base to which all corporate units have access.

To assist the purchasing sectors, a coordination office was opened in Berlin on July 1, 1993. It serves the corporate units as an information and contact point, and is the contact for potential suppliers and associations. The various parties are already making very active use of this liaison office.

Global Sourcing Activities

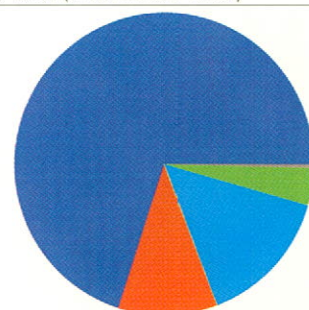
Our purchases from abroad have increased due to additional global sourcing activities. To further improve our cost structures, we are striving to raise the foreign share of purchasing in Germany to 25% in the medium term.

Eight corporate offices have been established in the important and productive markets in Europe, North America, Asia and Australia to coordinate purchasing. They support our domestic purchasing departments with information on potential new suppliers and about market trends and potentials in the respective countries and make purchases locally for the individual group companies.

Additionally, up-to-date information on the international markets is available to purchasers through a foreign supplier information system installed worldwide.

Purchasing Volume

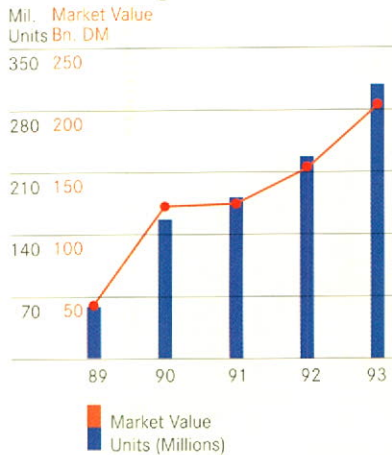
DM 56.7 Billion (1992: DM 55.7 Billion)



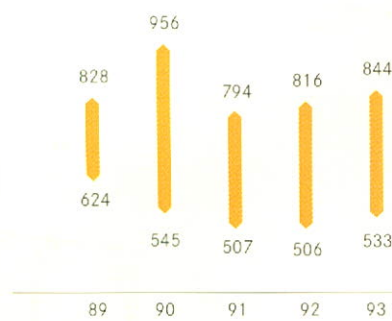
	93 in %	92 in %
Mercedes-Benz	66.2	70.1
AEG	9.7	10.7
DASA	18.2	14.8
debis	5.7	4.0
Daimler-Benz AG	0.2	0.4

On October 5, 1993, Daimler-Benz AG was the first German company to be listed on the New York Stock Exchange. The successful negotiations with the US Securities and Exchange Commission (SEC), have opened up a new epoch for us in capital procurement and financial disclosure.

Turnover on the German Stock Exchanges



High and Low Share Price in DM (Spot rate)



Allowing for the 1989 Increase in capital.

Dividend



The Daimler-Benz Share

The price of the Daimler-Benz share rose by 57% in 1993, to DM 844, primarily due to the good atmosphere on the German stock markets as well as the very favorable reception regarding the introduction of our shares on the New York Stock Exchange. To increase the number of our shareholders in the USA, Deutsche Bank reduced its stake in Daimler-Benz AG to slightly more than 24% and placed just under 4% of our capital stock on the American market. Following the merger of Mercedes Aktiengesellschaft Holding with Daimler-Benz AG, we will have more flexibility in using the international capital markets.

Statistics per Share

	1993	1992	1991
Dividend	DM 8.00	13.00	13.00
Div. including tax credit	DM 11.43	20.31	20.31

By German accounting standards:

Net income*)	DM 12.92	30.46	40.21
Stockholders' equity*)	DM 369.39	384.26	378.76

By U.S. GAAP

Net income/loss per share	DM (39.47)	29.00	40.52
per ADS**)	DM (3.95)	2.90	4.05

Stockholders' equity	DM 564.06	593.01	593.89
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*) excl. minority interests.

**) American Depositary Share. The value of an ADS is equivalent to 1/10 of the par value of a Daimler-Benz share.

Stock Exchange Trend

In 1993 almost all major stock exchanges reached new highs. The boom in the German stock market was nourished by declining interest rates and repeated rumors of additional interest rate cuts. Other factors were the anticipation of medium-term profits now that numerous enterprises have instituted cost-cutting measures and that the new law to safeguard locational advantages had been passed.

During the beginning of the second half of the year, the German stock index DAX increased at an accelerated pace, climbing to a new record high of 2,267 points by the end of the year.

At DM 844, the Daimler-Benz share attained a year-end price which it had last reached in early August, 1990. The 57% increase in 1993 was higher than the average increase for the 30 enterprises included in the DAX (47%). In the first months of 1994, the German stock market entered a phase of consolidation which coincided with the revision of the optimistic expectations in regard to the economy and profits, not least because of fears that interest rates would rise again. The Daimler-Benz share price fell, through the end of February, by 4% to DM 808.3, while the DAX average declined by 7%.

Once again in 1993, our shares were among the most heavily traded securities on German stock exchanges. A total of 309 million shares, a third more than the previous year, were traded. This volume, with a market value of DM 204 billion, represented 11% of the total trade in domestic stocks. On the German Futures Exchange, Daimler-Benz options also ranked among the most actively traded securities, with 1.6 million contracts traded.



Daimler-Benz on Foreign Stock Exchanges

In October, 1993, we listed our shares on the New York Stock Exchange. Daimler-Benz is the first German company to have gained direct access to the largest and most important capital market in the world. The American Depositary Shares (ADS) traded there are denominated at a tenth of the par value of a Daimler-Benz share. The opening quotation was 47 1/8 dollars; the quotation on December 30, 1993, was 48 5/8 dollars.

The Daimler-Benz share is now listed on eight foreign stock exchanges:

Basel, Geneva and Zurich	since January 1977
Tokyo	since September 1990
London	since December 1990
Vienna	since February 1991
Paris	since November 1991
New York	since October 1993

The trading volume of our shares on foreign stock exchanges in 1993 increased by 44% to 24 million shares. Trading in London was particularly active.

To further internationalize our financing activities and to strengthen our global presence, we intend to be the first German company to introduce our stock in Singapore in May, 1994. As soon as the necessary conditions are met, we also plan to go to the Shanghai stock exchange, where no foreign companies are presently listed. We want to underscore the growing significance of East Asia for our product range.

Shares more widely held

At the end of December, 1993, the Extraordinary General Meeting of Daimler-Benz AG and the Annual General Meeting of Mercedes Aktiengesellschaft Holding (MAH) resolved to merge the two companies.

MAH shares will be exchanged for Daimler-Benz stock at a ratio of 1 for 1, now that this has been noted in the register of corporations in Frankfurt/Main and Stuttgart. MAH held a blocking minority of 25% of the Daimler-Benz capital stock. Following the merger, Daimler-Benz will be able to make more flexible use of the international capital markets. In the future it will be possible to increase capital stock depending on the market situation and to issue convertible bonds or options. In addition, our shares will become accessible to a broader range of investors.

A 10,000 DM Investment in Daimler-Benz Shares

Investment date	1/4/82	1/4/88	1/2/91
Investment duration in years (approximately)	12	6	3
Portfolio value at 2/28/94 (in DM)	48,139	16,835	16,032
Average annual return in%			
from an investment in DEM	13.8%	8.8%	16.1%
from an investment in USD	16.3%	7.3%	11.0%
from an investment in JPY	9.5%	4.7%	2.5%
from an investment in GBP	18.8%	11.4%	20.6%

At the beginning of February, 1994, Deutsche Bank placed part of its holding, about 4% of our capital stock, on the American market. Deutsche Bank's interest in our company thereby declined to 24.4%. Our shareholder base in the USA has thus been substantially broadened.

The Government of Kuwait, with approximately 14%, is the second largest shareholder in Daimler-Benz after Deutsche Bank. Stella Automobil-Beteiligungsgesellschaft mbH will retain a share of 12.6%. When the merger of Mercedes Aktiengesellschaft Holding with Daimler-Benz AG takes effect, almost half of our capital stock will be widely held. With a market value of DM 37.7 billion (at the end of February, 1994) and over

470,000 shareholders, Daimler-Benz is one of Germany's largest public corporations.

Dividend Reduced

For the financial year 1993, a dividend of DM 8 (1992: DM 13) for each eligible share of DM 50 par value will be proposed at the Annual General Meeting taking place on May 18, 1994. For shareholders subject to income taxes in Germany, the gross dividend amounts to DM 11.43.

Good Yield Opportunities

A long-term investment in Daimler-Benz shares offers good yield opportunities, although a share price decline may produce a negative return. Investments made in currencies other than the D-Mark entail further opportunities and risks due to fluctuations in currency exchange rates. A twelve-year investment in Daimler-Benz stock reflects an average return of 13.8% per annum; an investment of only three years reflects a return of 16.1%. In this calculation we have assumed that the proceeds from rights issues and cash dividends (excluding tax credits) were reinvested in Daimler-Benz stocks and that the investor has not purchased any additional amounts.

Discussion and Analysis of the Financial Situation

The 1993 consolidated group net income is DM 0.6 billion (1992: DM 1.5 billion); it was supported by changes in valuation in which we adjusted certain accounting principles to the U.S. accounting principles. Using U.S. accounting principles, results for 1993 amounted to a loss of DM 1.8 billion (1992: a profit of DM 1.4 billion). Due to the sharp decline in business operations, and extensive restructuring costs incurred of DM 3.5 billion, the net operating result was a loss of DM 3.3 billion DM (1992: a profit of DM 2.0 billion).

Valuation in Consolidated Financial Statements Adjusted to U.S. Accounting Principles

We began to conform our balance sheet accounting and valuation methods to international conventions with the 1989 consolidated financial statements, in order to simplify comparison with other companies as well as to improve our method of reporting. We were the first German company to list its stock on the New York Stock Exchange, and therefore reconciled net income and stockholders' equity to generally accepted accounting principles in the U.S. (U.S. GAAP). It became apparent that there were still substantial differences between our accounting principles and the U.S. accounting principles, which have a decisive influence on financial reporting.

In the 1993 consolidated financial statements, we have therefore adapted our methods of accounting and valuation as closely as possible to U.S. GAAP. These measures, which at the same time achieve substantial alignment between the German commercial balance sheet and the German tax bal-

ance sheet, have generated a one-time income before tax of DM 2.6 billion in the German consolidated financial statements. This amount is classified as extraordinary income. The balance of the differences are from rules and regulations regarding obligatory accounting and valuation procedures.

Our annual report includes a reconciliation of the net income and stockholders' equity determined according to the principles of the German "Handelsgesetzbuch" (Commercial Code) to those amounts reported under U.S. GAAP.

Consolidated Net Income of DM 615 Million Reported

In addition to the changes in accounting principles and valuation methods, the 1993 consolidated financial statements include special factors and the first-time inclusion of the Fokker group. As a result of the recessionary weakness in the most important markets, sales revenue declined by 0.8% to DM 97.7 billion. On a comparable basis, i.e. taking Fokker's 1992 sales into account, the decrease was 3.8%. As a result of the reduction in inventory at Mercedes-Benz (offset, however, by inventory increases at DASA and AEG), total revenue declined more sharply than sales revenue, down DM 1.4 billion to DM 99.5 billion. Costs of materials exceeded those of the pre-

vious year because of the first-time consolidation of Fokker; accordingly, the latter's share in the total revenue increased from 48.7% to 51.3%. Despite the reduction in employment, personnel expenses continued to rise, as a result of the inclusion of Fokker and of the high costs of structural personnel strategies, so that this component now represents 34.0% (1992: 31.7%) of total revenue. Since the preceding years' high level of investment in property, plant and equipment and leased equipment continued during 1993, the depreciation increased by 13.7%, to DM 8.1 billion.

In Millions of DM	1993	1992
Interest income per income statement	456	577
Interest expense from financing of leases and sales	342	421
Interest income without the leasing and sales financing business	798	998

The interest expense for our leasing and sales financing companies, at DM 342 million, was significantly lower than that of the preceding year. Interest income of the leasing business is included in the lease payments and therefore included in revenues. When the interest expense for financing leasing and sales are excluded, the net interest income for the group is DM 0.8 billion (1992: DM 1.0 billion). As in previous years we have reduced interest income by the inflationary effects, from highly inflationary countries.

The results from ordinary business activities declined significantly, from DM 2.5 billion in 1992 to a loss of DM 1.1 billion in 1993. The 1993 net income of DM 615 million (1992: DM 1,451 million) was achieved only because of lower taxes on earnings and other taxes and certain accounting changes which had a considerable effect on the 1993 consolidated net income. These changes in accounting principles influenced almost all areas of operations and the net income of Daimler-Benz AG.

In addition to the one-time profit of DM 2.6 billion due to the change in certain accounting principles which we posted as extraordinary income, we had a gain of DM 1.7 billion from sales of securities. There were also income of DM 1.0 billion from tax rebates and DM 237 million from the recapture of over-funded assets of the Daimler-Benz external pension funds to the provider companies Daimler-Benz AG and Mercedes-Benz AG, which thus was a tax free transaction.

In contrast to these revenues were expenses of approximately DM 3.5 billion connected to the restructuring of technical capacities and the extensive reduction in personnel. There were also additional provisions resulting from write-downs of the portfolio of investments in affiliated and related companies and from the first-time inclusion of the Fokker group in the Daimler-Benz consolidated financial statements.

The disappointing trend of business in the year 1993 is more clearly evident in the operating results than in the reported net income.

Following a profit of DM 2.0 billion in 1992, this (for an internal calculation) important figure took a significant turn to a loss of DM 3.3 billion in 1993. (see page 69)

Results of Operations

Allocation among the divisions:

In Millions of DM	1993	1992
Mercedes-Benz	(1,267)	2,284
AEG	(935)	23
DASA	(994)	(503)
debis	366	276
Eliminations	(469)	(54)
Daimler-Benz group	(3,299)	2,026

While the decline of business in the automobile and commercial vehicle industry had a negative effect on the operating profit of Mercedes-Benz, the restructuring expenses, amounting to approximately DM 1.7 billion, also played a decisive role in reducing income.

The operating loss at AEG includes restructuring expenses of DM 607 million.

The results of DASA were impaired by the decline in demand in the areas of defense technology and space systems and by the first-time inclusion of Fokker. In addition there were provisions for future restructuring expenses amounting to DM 1.1 billion.

The higher operating profit of debis is a result of lower net interest costs for the financing of leasing and sales, as well as improvements in the earnings of certain foreign leasing companies.

Balance Sheet Influenced by Financial Service Business

Even greater than the effect on the income statement, is the effect of the continued strong growth of leasing and sales financing on the consolidated balance sheet. Our leasing contracts are primarily operating type leases. Leased equipment is valued at its acquisition or manufacturing cost less accumulated depreciation. It is listed separately as part of the non-current assets.

The financing of sales is a installment receivable, which increases the balance sheet due to the recording of such receivables and liabilities due to the financing of such receivables. Additionally, prepaid customer operating lease payments are reported as a liability included in deferred income.

We utilize the financial services business, within the Daimler-Benz group, as a flexible instrument of our world-wide sales strategy. The effects of this business on the consolidated balance sheet are shown in the following table. It is assumed that the funds which are utilized by the financial service business are available for the payment of liabilities.

The rent expense on operating leases for 1993 was DM 935 million. Future minimum rental payments under these operating leases as of December 31, 1993 are (in millions of DM) as follows:

1994	1995	1996	1997	1998	1999, there-after
916	726	615	496	391	2,245

Future rental income, from contractual agreements totalling DM 10,307 million, are distributed over the future years as follows (in millions of DM):

1994	1995	1996	1997	1998	1999, there-after
3,808	2,747	2,034	1,161	480	77

Balance Sheet Total Increase for the Group

The consolidated balance sheet total increased again in 1993 as a result of the first-time inclusion of Fokker and the further expansion of the leasing and sales financing business by 5.5% to DM 90.9 billion. Including the leased equipment, non-current assets increased by 5.1% to DM 35.4 billion. If the leased equipment is excluded, the non-current assets declined by DM 0.4 billion, to DM 23.5 billion. The net increase of DM 4.7 billion in property, plant and equipment, including the acquisition of DM 0.8 billion of the Fokker group which is consolidated for the first time, is reduced by DM 5.2 billion in depreciation. The leased equipment continues to have above-average growth, increasing by 21.5% to DM 11.9 billion. Excluding the inventory of lease vehicles, property, plant and equipment would be reduced from 27.7% to 25.8% of total assets. Receivables from the financing of sales increased by 42.2%, to DM 8.8 billion.

ASSETS – in Millions of DM –

	1993	1992
Consolidated balance sheet total without financial services business	70,098	69,373
From the financial services business:		
Leased equipment	11,879	9,777
Receivables	8,771	6,166
Deferred taxes	178	868
Total assets from the financial services business	20,828	16,811
Consolidated balance sheet total	90,926	86,184

LIABILITIES – in Millions of DM –

	1993	1992
Consolidated balance sheet total without financial services business	70,098	69,373
From the financial services business:		
Change in stockholders' equity	(431)	(224)
Liabilities from leasing and sales financing	13,660	10,971
Amortization of liabilities	7,272	5,750
Deferral of leasing installments and special rents	327	314
Total liabilities from the financial services business	20,828	16,811
Consolidated balance sheet total	90,926	86,184

Inventories, which increased only slightly in comparison to the previous year, were financed by approximately 33% through customer down payments. Despite the inclusion of Fokker, "net inventories", after customer down payments, were reduced from DM 17.6 billion to DM 16.9 billion. The release of funds from inventories, together with more effective management of working capital, helped meet the need for additional financial assets, especially in Germany. Liquid funds had a net increase from DM 9.8 billion to DM 10.5 billion. The percentage of liquid funds to the total assets is 11.5%, which is consistent with that of the prior year.

On the liabilities side, stockholders' equity, excluding the amount intended for dividend distribution, was reduced by DM 1.3 billion to DM 17.8 billion. With only a small amount – DM 0.2 billion – retained from

1993 net income, the amortization of good-will relating from the acquisition of Fokker and the reduction in minority interest of shareholdings were the primary reason for this decrease. The percentage of stockholders' equity to total liabilities declined from 22.2% to 19.5%. If we exclude the financial service business, which is dependent on business volume and is largely financed from outside sources, the percentage of stockholders' equity to total liabilities is 26.0% (1992: 27.9%), the coverage of non-current assets (excluding leased equipment) by stockholders' equity decreased from 81.1% to 77.5%.

Liabilities from the financing of leasing and sales increased by 24.5%, to DM 13.7 billion while allowances for losses increased by only 3.4%, to DM 35.9 billion. The income from the changes in accounting principles was reduced by the first-time inclusion of

the Fokker group and the established provisions for the reduction in work-force and the restructuring of capacity. Provisions amounted to 39.5% (1992: 40.3%) of the balance-sheet total.

Stockholders' equity and long and medium-term provisions fully cover both the non-current assets (excluding leased equipment) and net inventories.

Below we have reproduced the segment reporting, based on German accounting principles, as it appears in the Form 20-F report, which we file with the U.S. Securities and Exchange Commission.

Segment Report

a) Data by Segment

1993 – in Millions of DM –	MB	AEG	DASA	debis	Other	Eliminations	Consolidated
Sales to							
unaffiliated customers	61,728	10,733	18,173	7,900 ²⁾	–	(797)	97,737
Intersegment sales	2,968	279	453	1,591	–	(5,291)	–
Total revenues	64,696	11,012	18,626	9,491	–	(6,088)	97,737
Operating profit/loss	(1,267)	(935)	(994)	366	–	(469)	(3,299)
Identifiable assets	30,690	6,662	17,691	23,357	12,526	–	90,926
Depreciation and amortization	3,148	530	1,557	2,693	131	–	8,059
Capital expenditures ¹⁾	2,585	607	1,012	182	102	–	4,488
1992 – in Millions of DM –	MB	AEG	DASA	debis	Other	Eliminations	Consolidated
Sales to							
unaffiliated customers	64,849	11,184	16,735	6,401 ²⁾	–	(620)	98,549
Intersegment sales	1,631	411	541	1,560	–	(4,143)	–
Total revenues	66,480	11,595	17,276	7,961	–	(4,763)	98,549
Operating profit/loss	2,284	23	(503)	276	–	(54)	2,026
Assets	33,633	7,149	15,158	19,460	10,784	–	86,184
Depreciation and amortization	3,066	491	1,025	2,368	135	–	7,085
Capital expenditures ¹⁾	4,151	556	1,190	161	192	–	6,250

¹⁾ Additions to property, plant and equipment with no book value, for non-current assets, from the first time consolidation of companies.

²⁾ Sales to unaffiliated customers plus interest income from sales financing.

Reconciliation of Operating Profit to Results from Ordinary Business Activities

- in Millions of DM -	1993	1992
Operating profit/loss	(3,299)	2,026
Income from affiliated, associated and related companies	37	38
Interest income, net	484	631
Write-downs of financial assets and of securities	(300)	(121)
Proceeds from sale of securities	1,659	-
Proceeds from the re-transfer of assets of the Daimler-Benz relief fund to the provider companies	237	-
Corporate overhead and other items not allocable to segments	(9)	(282)
General research costs of Daimler-Benz AG	(282)	(255)
Other taxes (included in operating profit)	390	496
Results from ordinary business activities	(1,083)	2,533

b) By Geographical Region:

1993 - in Millions of DM -	Germany	Other European countries	North America	Latin- America	Other countries	Elimi- nations	Consoli- dated
Revenues (by destination)	38,319	25,303	17,138	5,238	11,739	-	97,737
Revenues (by operation):							
To unaffiliated customers	55,525	17,263	14,760	4,544	5,645	-	97,737
Transfers between geographic regions	24,515	1,745	759	760	244	(28,023)	-
Total revenues	80,040	19,008	15,519	5,304	5,889	(28,023)	97,737
Export sales from Germany	-	9,603	1,521	489	6,076 ¹⁾	-	17,689
Net income/ net loss	(814)	(159)	895	541	152	-	615
Identifiable assets	55,487	13,114	15,346	2,906	4,073	-	90,926

1992 - in Millions of DM -

Revenues (by destination)	42,572	27,031	13,881	3,850	11,215	-	98,549
Revenues (by operation):							
To unaffiliated customers	60,659	17,225	12,314	3,573	4,778	-	98,549
Transfers between geographic regions	19,112	883	158	84	72	(20,309)	-
Total revenues	79,771	18,108	12,472	3,657	4,850	(20,309)	98,549
Export sales from Germany	-	9,712	1,557	380	6,342 ¹⁾	-	17,991
Net income/ net loss	1,039	142	370	(33)	(67)	-	1,451
Identifiable assets	54,461	13,527	12,978	2,384	2,834	-	86,184

¹⁾ Including exports valued at 4,883 million DM to Asia in 1993 and 5,169 million DM in 1992.

Consolidated Statements of Cash Flows of the Daimler-Benz Group (In Millions of DM)

	1993	1992
Cash flows from operating activities:		
Net income	615	1,451
Adjustments to reconcile net income to net cash provided by operating activities		
Extraordinary results	(2,603)	-
Depreciation and amortization of non-current assets (including amounts related to leased equipment of DM 2,536 million in 1993 and DM 2,178 million in 1992)	8,357	7,168
Increase in provisions, net	2,483	1,296
Gain on disposal of non-current assets	(208)	(69)
Gain on sale of securities	(1,659)	-
Change in assets and liabilities		
Inventories, net	3,072	(976)
Receivables	163	(2,014)
Accounts payable and other operating activities	(718)	(1,835)
Other	411	307
Cash provided by operating activities	9,913	5,328
Cash flows from investing activities:		
Purchase of non-current assets	(5,310)	(6,710)
Increase in leased equipment	(5,373)	(5,206)
Proceeds from disposal of non-current assets (including net change in leased equipment of DM 1,396 million in 1993 and DM 1,343 million in 1992)	2,693	1,995
Payments for acquisition of investments in business	(986)	(807)
Proceeds from disposals of investments in business	573	669
Changes in short-term investments	1,016	1,644
Increase in leasing and sales financing receivables, net	(2,605)	(1,911)
Cash provided by change in companies in consolidation	43	2,018
Other	(574)	785
Cash used for investing activities:	(10,523)	(7,523)
Cash flows from financing activities:		
Change in commercial paper borrowings, net	(473)	1,655
Additions to financial liabilities (including amounts for leasing and sales financing net of DM 2,689 million in 1993 and DM 2,858 million in 1992)	2,990	3,532
Retirement of financial obligations	(1,205)	(1,495)
Dividends paid	(633)	(640)
Other	-	20
Cash provided by financing activities	679	3,072
Effect of foreign exchange rate changes on cash	(83)	81
Net increase (decrease) in cash	(14)	958
Cash at beginning of period	2,968	2,010
Cash at end of period	2,954	2,968
Reconciliation to liquid assets		
Securities	6,889	6,056
Other liquid assets	614	806
Total liquid assets	10,457	9,830

Statement of Financial Accounting Standards No. 95
"Statements of Cash Flows"
(SFAS 95)

The cash flow statement of the Daimler-Benz group included in the 1992 annual report, has been revised to completely conform to the U.S. Accounting Standard, SFAS No. 95. Accordingly, the effects of foreign currencies are eliminated, the additions to non-current assets are adjusted for significant changes in the consolidation group, changes in stockholders' equity allocated, and the declaration of cash is based only on instruments of payment, rather than on total liquid assets. A reconciliation to the liquid assets is included in this report.

In comparison to the previous year, the cash flow from operating activities increased by 86% to DM 9.9 billion. This increase is primarily due to the significant reduction in inventory assets, after adjustment for changes in the consolidation group. Cash flow from investing activities, of DM 10.5 billion, was also substantially higher than in 1992 (DM 7.5 billion). The primary reason for this increase was the first-time consolidation of Deutsche-Aerospace Airbus GmbH,

and its large amount of cash (DM 2.0 billion) at the time of its initial consolidation. Since the surplus in financial assets from the industrial sector was not sufficient to fully cover the financial needs of the rapidly expanding leasing and sales financing business, we required additional debt of DM 1.3 billion in 1993 (1992: DM 3.7 billion).

We are also anticipating a high level of capital expenditures in the Daimler-Benz group in the next few years. We are exploring the utilization of a variety of financing models for the leasing and sales financing business, which continues to expand. Additionally, we would like to support the anticipated growth of the companies by adding equity in the future.

Additional Information in Accordance with the "U.S. Generally Accepted Accounting Principles" (U.S. GAAP)

With the introduction of Daimler-Benz stock on the New York Stock Exchange, we are filing an annual report as a "Form 20-F" with the Securities and Exchange Commission (SEC). Much of the content of this filing is information taken from our annual report; however, additional data and financial information is provided determined on the basis of U.S. accounting principles. In the following sections we have set forth what we consider to be the most important information from the "Form 20-F." Since there are substantial differences, especially in the annual net income and stockholders' equity, the reconciliations are required to convert certain financial data from the German consolidated financial statement to the values calculated by using U.S. generally accepted accounting principles (see page 73).

Information on Derivative Financing Instruments in Accordance with US Standards

Daimler-Benz uses derivative financing instruments in order to hedge currency and interest rate exposure for normal business operations. We work only with banks which have strong long-term ratings. The financial instruments are written almost exclusively in the currencies of the large industrial countries. At December 31, 1993, the volume of positions in foreign currencies was DM 30.9 billion (1992: DM 19.1 billion), and that of interest rate contracts was DM 13.1 billion (1992: DM 8.6 billion). These gross amounts represent the base values of all buying and selling contracts, as they are required to be disclosed in accordance with Statement of Financial Accounting Standard No. 105.

Differences in Accruals as a Result of the Change in the Treatment of Provisions, and Valuation Methods.

U.S. accounting principles do not allow the formation of the extensive loss provisions as permitted by German law. The excess German loss provisions have to be dissolved, which has an effect on the net income as well as stockholders' equity. According to U.S. GAAP, the stockholders' equity

increased by DM 5.8 billion during 1993 as a result of the dissolution of certain loss provisions which also changed the inventory and receivables value. We use the term "Appropriated Retained Earnings" to disclose to the American investors that such retained earnings are not available for distribution as dividends. This term also establishes a bridge between the two different accounting cultures.

Long-Term Manufacturing

Customer deposits and manufacturing costs are reported under German law in accordance with the completed contract method, whereas U.S. principles generally require that the percentage of completion method be used. The majority of contracts within the group require partial prepayment as well as partial recognition of profits based upon payments received. Contracts of this nature are also customary in the USA, and are recognized under its accounting regulations. The resulting differences therefore are not material.

Goodwill and Acquisition of Investments in Businesses

Under German accounting regulations, goodwill can be allocated to stockholders' equity, or capitalized and amortized generally over the expected useful life, which in Germany ranges between 5 to 15 years. Under U.S. GAAP, the difference between acquisition costs and market value must be capitalized and amortized over a period not exceeding 40 years.

Disposal of Investments in Businesses

Under German accounting principles, sales of subsidiaries and shareholdings in businesses must be allocated to the period in which the contract is signed. According to U.S. GAAP, the gain or loss on investment cannot be recognized until after the actual monetary exchange of the investment.

Pension Provisions

According to U.S. accounting principles, the determination of provisions for old-age pensions requires, among other things, a determination for anticipated increases in wages and salaries. The calculation is not based on the discount rate of 6% for unaccrued interest, which is applicable under German tax law but incorporates the respective actual interest rates. Another difference is a result of the requirement that health care costs for retirees be actuarially calculated and accrued for in the USA.

Currency Translation and Financial Instruments

Unrealized exchange profits and losses on financial instruments are treated differently in the two accounting systems. Under German law, according to the imparity principle, only unrealized losses are to be recorded, whereas under U.S. GAAP unrealized profits as well as losses must be recorded.

Other Differences in Valuation

Additional differences between German and American accounting methods may occur with respect to inventories, minority interests and leasing activities.

Deferred Taxes

Under German accounting regulations, deferred tax assets are established only for the elimination processes in consolidation. Under U.S. accounting principles deferred tax assets can also be recorded for valuation adjustments and existing tax loss carry-forwards.

Reconciliation of Consolidated Net Income and Stockholders' Equity to U.S. GAAP

	1993	1992
	- in Millions of DM -	
Consolidated net income in accordance with German HGB (Commercial Code)	615	1,451
./. Minority interest	(13)	(33)
Adjusted net income under German regulations	602	1,418
+/- Changes in appropriated retained earnings: provisions, reserves and valuation differences	(4,262)	774
	(3,660)	2,192
Additional adjustments		
+/- Long-term contracts	78	(57)
Goodwill and business acquisitions	(287)	(76)
Business dispositions	-	337
Pensions and other postretirement benefits	(624)	96
Foreign currency translation	(40)	(94)
Financial instruments	(225)	(438)
Other valuation differences	292	88
Deferred taxes	2,627	(646)
Consolidated net income (loss) in accordance with U.S. GAAP before cumulative effect of changes in accounting principles in accordance with U.S. GAAP	(1,839)	1,402
Cumulative effect of changes in accounting in accordance with U.S. GAAP for postretirement benefits other than pensions (net of tax of 33 million DM)	-	(52)
Consolidated net profit in accordance with U.S. GAAP	(1,839)	1,350
Earnings (loss) per share in accordance with U.S. GAAP	DM (39.47)	DM 29.00 ¹⁾
Earnings (loss) per American Depositary Share ²⁾ in accordance with U.S. GAAP	DM (3.95)	DM 2.90
Stockholders' Equity in accordance with German HGB	18,145	19,719
./. Minority interest	(561)	(1,228)
Adjusted stockholders' equity under German regulations	17,584	18,491
+/- Appropriated retained earnings/ (provisions, reserves and valuation differences)	5,770	9,931
	23,354	28,422
Additional adjustments		
+/- Long-term contracts	207	131
Goodwill and business acquisitions	2,284	1,871
Pensions and other postretirement benefits	(1,821)	(1,212)
Foreign currency translation	85	(342)
Financial instruments	381	580
Other valuation differences	(698)	(1,708)
Deferred taxes	2,489	(138)
Stockholders' equity in accordance with U.S. GAAP	26,281	27,604

¹⁾ Includes the negative effect of the change in accounting for postretirement benefits other than pensions of 1.12 DM per share (0.11 DM per American Depositary Share)

²⁾ Corresponds to one tenth of a share of stock of 50 DM par value

Consolidated Balance Sheet

ASSETS	Note	December 31, 1993	December 31, 1992
		DM in Millions	DM in Millions
Non-Current Assets			
Intangible Assets	(1)	523	611
Property, Plant and Equipment	(2)	18,921	19,254
Financial Assets	(3)	4,031	3,991
Leased Equipment	(4)	11,879	9,777
		35,354	33,633
Current Assets			
Inventories	(5)	24,262	23,138
Advance Payments Received	(6)	(7,317)	(5,549)
		16,945	17,589
Finance Receivables	(7)	8,771	6,166
Other Receivables	(8)	15,349	14,771
Other Assets	(9)	4,095	3,503
Securities	(10)	6,889	6,089
Cash	(11)	2,954	2,968
		55,003	51,086
Prepaid Expenses and Deferred Taxes	(12)	569	1,465
Total Assets		90,926	86,184
STOCKHOLDERS' EQUITY AND LIABILITIES			
Stockholders' Equity	(13)		
Capital Stock	(14)	2,330	2,330
Additional Paid-In Capital	(14)	2,117	2,117
Retained Earnings	(15)	12,747	13,440
Minority Interest	(16)	561	1,228
Unappropriated Profit (1992: Dividend) of Daimler-Benz AG		390	604
		18,145	19,719
Provisions			
Provisions for Pensions and Similar Obligations	(17)	12,759	12,217
Other Provisions	(18)	23,128	22,478
		35,887	34,695
Liabilities			
Liabilities from Leasing and Sales Financing	(19)	13,660	10,971
Accounts Payable Trade	(20)	6,859	6,517
Other Liabilities	(21)	15,796	13,725
		36,315	31,213
Deferred Income		579	557
Total Stockholders' Equity and Liabilities		90,926	86,184

Consolidated Statements of Income

	Note	1993 DM in Millions	1992 DM in Millions
Revenues	(22)	97,737	98,549
Increase in Inventories and other Capitalized Costs	(23)	1,757	2,330
Total Output		99,494	100,879
Other Operating Income	(24)	7,370	4,506
Costs of Materials	(25)	(51,076)	(49,084)
Personnel Expenses	(26)	(33,790)	(32,003)
including Pension Provisions of DM 1,396 million (1992: DM 1,539 million)			
Amortization of Intangible Assets, Depreciation of Property, Plant and Equipment and Leased Equipment	(27)	(8,059)	(7,085)
Other Operating Expenses	(28)	(15,281)	(15,254)
Income from Affiliated, Associated and Related Companies	(29)	103	118
Interest Income, Net	(30)	456	577
Provisions for Losses on Financial Assets and Securities	(31)	(300)	(121)
Income from Ordinary Business Activities		(1,083)	2,533
Extraordinary Income	(32)	2,603	–
Income Taxes	(33)	(515)	(586)
Other Taxes	(33)	(390)	(496)
Net Income	(34)	615	1,451
Profit Carried Forward from Previous Year		–	2
Transfer to Retained Earnings		(212)	(816)
Income Applicable to Minority Shareholders		(339)	(184)
Loss Applicable to Minority Shareholders		326	151
Unappropriated Profit (1992: Dividend) of Daimler-Benz AG		390	604

Consolidated Non-Current Assets

DM in Millions	Acquisition or Manufacturing Costs					Balance at December 31, 1993
	Balance at January 1, 1993*)	Currency Change	Additions*)	Re- classifications	Disposals	
Intangible Assets						
Franchises, Industrial Property Rights and Similiar Rights and Values, as well as Licenses to Such Rights and Values	652	7	147	16	117	705
Goodwill	504	.	81	–	15	570
	1,156	7	228	16	132	1,275
Property, Plant and Equipment						
Land, Leasehold Improvements and Buildings, incl. Buildings on Land Owned by Others	18,185	64	1,186	377	398	19,414
Technical Equipment and Machinery	23,582	10	1,295	963	1,038	24,812
Other Equipment, Factory and Office Equipment	17,742	26	1,709	299	1,597	18,179
Advance Payments Relating to Plant and Equipment and Construction in Progress	2,320	.	1,242	(1,654)	164	1,744
	61,829	100	5,432	(15)	3,197	64,149
Financial Assets						
Investments in Affiliated Companies	485	62	179	25	77	674
Loans to Associated and Affiliated Companies	5	6	12	–	4	19
Investments in Associated Companies	1,455	5	46	(5)	228	1,273
Investments in Related Companies	1,262	2	125	(21)	36	1,332
Loans to Associated and Related Companies	122	.	2	–	5	119
Long-Term Securities	518	.	14	–	162	370
Other Loans	846	2	542	–	172	1,218
	4,693	77	920	(1)	684	5,005
	67,678	184	6,580	–	4,013	70,429
Leased Equipment	14,030	622	5,855	–	3,016	17,491

*) Including balances carried forward from companies consolidated for the first time.

**) Currency translated using year end exchange rates.

***) Currency translated using historical exchange rates.

Balance at January 1, 1993*)	Currency Change	Depreciation		Disposals	Balance at December 31, 1993	Book Values		Balance at December 31, 1992	Book Values Balance at January 1, 1993
		Current Year	Re- classifications			Balance at December 31, 1993			
399	2	141	–	90	452	253		243	253
136	.	173	–	9	300	270		368	368
535	2	314	–	99	752	523		611	621
8,871	8	1,004	8	116	9,775	9,639		9,403	9,314
18,963	2	2,170	212	880	20,467	4,345		4,520	4,619
14,603	12	1,971	(216)	1,449	14,921	3,258		3,044	3,139
6	.	64	(4)	1	65	1,679		2,287	2,314
42,443	22	5,209	–	2,446	45,228	18,921		19,254	19,386
115	3	23	–	4	137	537		354	370
2	.	1	–	–	3	16		9	3
119	.	60	–	–	179	1,094		1,269	1,336
300	.	201	–	11	490	842		971	962
3	1	–	–	1	3	116		119	119
22	.	1	–	19	4	366		496	496
164	.	12	–	18	158	1,060		773	682
725	4	298	–	53	974	4,031		3,991	3,968
43,703	28	5,821	–	2,598	46,954	23,475		23,856	23,975
4,478	218	2,536	–	1,620	5,612	11,879		9,777	9,552
						35,354		33,633	33,527

Notes to the Consolidated Financial Statements

Summary of Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with German generally accepted accounting principles ("German GAAP"). All amounts shown herein, unless separately stated, are in millions of German marks ("DM").

During 1993, Daimler-Benz made several changes in accounting policies in order to avoid or abandon taxed provisions and to approach the accounting policies generally accepted in the United States. The change of accounting and valuation principles has increased income by DM 2.6 billion as of January 1, 1993. For comparability purposes, this amount has been recorded as extraordinary income in the statements of income (see Note 32).

The significant changes in accounting policies affecting income are as follows:

- *Inventories*
The accounts of subsidiaries operating in highly inflationary economies have been translated using historical exchange rates instead of year end rates as used in previous years.
- *Receivables*
Only long-term non-interest or low-interest bearing receivables are present valued. The allowance for losses remains unchanged except for the allowance for general risks which was previously recorded on a country-specific basis and is now recorded based upon company-specific considerations.

- *Provisions for Employee Benefits and Social Costs*

The obligations for anniversary bonuses, previously calculated ratably without discounts, are now determined actuarially on the basis of an assumed interest rate of 5.5%, the entry age actuarial cost method and the consideration of employee turnover.

- *Expense Provisions Pursuant to § 249 Par. 2 of the German Commercial Code*

The elective right for the valuation of expense provisions has not been exercised. For comparability purposes, the extraordinary income also includes the effects from reducing accruals that were not necessary upon adoption of the new method.

- *Provisions for Deferred Repairs and Maintenance*

This provision, which was previously estimated, is now calculated based upon future plans for repairs and maintenance.

With the exception of the above, these changes in accounting and valuation principles have not resulted in any significant changes to income.

At the beginning of 1993, Daimler-Benz changed the currency translation applied to the non-current assets of foreign subsidiaries, from historical exchange rates to year end exchange rates. Subsidiaries in highly inflationary countries (presently Brazil and Turkey) are excluded from the foregoing. The adjustment resulting from this accounting change is recorded in stockholders' equity.

Accounting and Valuation

Intangible assets are valued at acquisition cost and are amortized on a straight-line basis over the respective useful lives. Goodwill resulting from capital consolidation is amortized over a period of five years, providing it relates to the expansion of the Group. Where it relates to the 1989 restructuring of the Group, it is charged to retained earnings. Goodwill resulting from strategic alliances is split; the amount relating to the expansion of the Group is charged to earnings and the amount relating to restructuring is charged to retained earnings.

Property, plant and equipment is valued at acquisition or manufacturing cost. Self-constructed assets include direct costs, materials, handling and production overhead which includes depreciation.

Acquisition and capitalized manufacturing costs are depreciated. Where applicable, accelerated depreciation methods are used in Germany, pursuant to certain sections of the German Tax Guidelines.

Property, plant and equipment is depreciated over the useful lives as follows: 17 to 50 years for buildings, 8 to 20 years for site improvements, 3 to 20 years for technical equipment and machinery and 2 to 10 years for factory, office and other equipment. If equipment is used in multiple-shift operations, the useful life is reduced accordingly. Buildings are depreciated using the greater of the straight-line or the accelerated method of depreciation. Moveable property having a useful life of four or more years is depreciated using the greater of the declining balance or the straight-line method. Depreciation on additions during the first and second half of the year is calculated using full or half-year rates, respectively. Additional depreciation is recorded wherever deemed necessary. Items having an immaterial value are expensed when purchased.

Investments and other financial assets are valued at the lower of cost or market; long-term non-interest or low-interest bearing loans are recorded at present value. *Investments in associated companies* are generally recorded on the equity method.

Leased equipment is valued at acquisition or manufactured cost and depreciated using the greater of the declining balance method or straight-line method. Where applicable, tax deductible depreciation methods provided in Section 35 of the Income Tax Guidelines are utilized.

Raw materials, supplies and goods purchased for resale are valued at the lower of cost or market; *finished goods* are valued at manufacturing cost. Manufacturing costs include direct material, labor and applicable manufacturing overhead including depreciation.

Loss provisions are recorded for inventories that have long periods of storage or changes in construction.

Non-interest or low-interest bearing *receivables and other assets* maturing after more than one year are present valued after taking into account all known risks. An allowance for doubtful accounts is deducted from the receivables.

Other securities are valued at the lower of cost or market.

Provisions for pensions and similar obligations, including postretirement medical benefits for retirees of U.S. subsidiaries, are actuarially determined on the basis of an assumed interest rate of 6% using the entry age actuarial cost method.

Provisions for taxes and other provisions have been recorded using the principles of reasonable accounting valuation. The obligations in employee benefits and social costs have been recorded at the lower of the present value of future payments or at the pro rata amount, depending upon the respective benefits acquired.

Liabilities are recorded at their repayment amounts.

Consolidated Group

In addition to Daimler-Benz AG, the consolidated Group consists of 305 domestic and foreign subsidiaries (1992: 271) and 12 joint ventures. The joint ventures are accounted for using the pro rata consolidation method.

During 1993, 53 subsidiaries and 5 joint ventures were added to the consolidation and 19 subsidiaries were deleted.

In May 1993, Deutsche Aerospace AG acquired a 78% majority share in Fokker-Holding B.V., which owns 51% of Fokker N.V. The effects of including this company in the consolidated financial statements for the first time are explained in the notes to the financial statements. The loss for the short period arising prior to the acquisition, has been deducted from other operating expenses.

At December 31, 1993, 271 subsidiaries were not consolidated as their effect on the financial position and results of operations was not material (their total revenues were less than 1% of consolidated revenues). Additionally, 11 other companies administering external pension funds, whose assets are subject to restrictions, were not included in the consolidation. The entire consolidated Group of Daimler-Benz AG is contained in the list of investment holdings filed in the Stuttgart Commercial Register as entry No. HRB 15 350.

Consolidation Principles

Capital consolidation is accomplished using the book value method by netting the acquisition cost and the pro rata share of stockholders' equity of the subsidiary at the time of its acquisition or when it is first included in the consolidation. Joint ventures are also accounted for under this method.

Significant investments in which Daimler-Benz has an ownership interest in the range of 20% to 50% are generally accounted for using the equity method. Investments in which Daimler-Benz has an ownership interest of less than 20% are accounted for at cost.

These financial statements include references to affiliated, associated and related companies. Affiliated companies include entities in which Daimler-Benz has majority ownership or an interest of 20% to 50% and which are not consolidated or accounted for on the equity method, respectively, as their effect would not be material. Associated companies represent entities in which Daimler-Benz owns between 20% and 50% and are accounted for using the equity method. Related companies include entities which have a significant ownership interest in Daimler-Benz or an entity in which a member of Daimler-Benz management is a board member.

Wherever possible, the accrued differences arising from capital consolidation are shown under the respective consolidated balance sheet item and are amortized to income over the expected useful life. Goodwill is amortized in accordance with the method discussed in "Accounting and Valuation" above. The accrued difference of DM 841 million, remaining after the

acquisition of Fokker, is valued in conjunction with the restructuring of the Company and, accordingly, has been charged directly to retained earnings without affecting net income.

A deferred difference arising from capital consolidation is shown separately under "Other provisions" as "Difference from capital consolidation with accrual character."

Appropriated retained earnings of acquired subsidiaries are included in the Company's retained earnings. The 1993 unappropriated profit reported in the consolidated financial statements represents the unappropriated profit of Daimler-Benz AG. Accordingly, the proceeds from consolidation measures affecting operating income and the unappropriated profits of the subsidiaries have been offset against the retained earnings of the Company.

Investments in 142 *associated companies* are recorded in the consolidated financial statements.

For the year ended December 31, 1993, 21 *associated companies* have been included in the consolidated financial statements at equity using the *book value method*.

The remaining *associated companies* are reported as investments at acquisition cost net of applicable depreciation because the ownership is insignificant to the financial position of the Company.

All material intercompany transactions have been eliminated in consolidation.

The deferred taxes shown in the consolidated balance sheet include the elimination procedures affecting net income.

Currency Translation

Foreign currency assets are translated at the lower of the entry date exchange rate or year end exchange rate; foreign currency liabilities are translated at the higher of the selling rate

on the entry date or at the year end selling rate.

The year end exchange rate is generally used to translate balance sheet items of foreign companies from the respective local currency to German marks. Excluded from this treatment are the non-current assets and inventories of companies in highly inflationary countries, where historical exchange rates are used.

The difference resulting from the currency translation of the balance sheet items is charged or credited to stockholders' equity; for companies operating in highly inflationary countries translation gains or losses are applied to income.

The currency translation of non-current assets at year end exchange rates reflect translation gains or losses in the property, plant and equipment analysis, and have been shown separately in the schedule. Such translation gains and losses were charged or credited to appropriated retained earnings without affecting income. The readjustment of the values in the 1992 consolidated balance sheet to year end exchange rates results in a negative difference of DM 106 million, which was charged to appropriated retained earnings without effecting 1992 earnings.

Expense and income items are generally translated at the annual average exchange rate. Where such items concern non-current assets and inventories of companies in highly inflationary countries, the historical exchange rates are used. Net income, appropriated retained earnings and unappropriated profit are translated at the year end exchange rate. The difference between the annual average and year end exchange rates is included in "Other operating expenses" (included in other operating income in 1992).

Notes to Consolidated Balance Sheet

1 Intangible Assets

At December 31, 1993, included in intangible assets are DM 523 million of goodwill (1992: DM 611 million) from capital consolidation and from individual accounts, acquired computer software, patents and, to a lesser extent, advance payments.

During 1993, additional amortization of goodwill amounted to DM 88 million.

2 Property, Plant and Equipment

The decrease in property, plant and equipment by DM 333 million to DM 18,921 million is a result of DM 5,432 million in additions, DM 210 million in currency translation gains, and their reclassifications of minus DM 15 million, DM 751 million in disposals and depreciation expense amounting to DM 5,209 million. Included in depreciation expense is accelerated depreciation of DM 76 million (1992: DM 163 million) which is allowed by German tax law and additional accelerated depreciation of DM 287 million (1992: DM 21 million) relating to certain revaluations of property, plant and equipment.

As a result of subsidiaries consolidated for the first time, capital expenditures increased by DM 1,854 million and depreciation by DM 909 million; of which capital expenditures of DM 1,638 million and related depreciation of DM 833 million resulted from the acquisition of Fokker.

3 Financial Assets

Financial assets primarily represent investments in associated companies, other loans and investments.

Loss provisions, amounting to DM 298 million (1992: DM 83 million) were recorded on investments with non-consolidated subsidiaries.

As a result of the first-time consolidation of Fokker, acquisition costs were increased by DM 147 million and amortization increased by DM 70 million.

4 Leased Equipment

The increase of DM 2,102 million of leased equipment – almost exclusively vehicles – to DM 11,879 million primarily is the result of lease acquisitions from Mercedes-Benz Credit Corporation, Norwalk, USA, and MBL Mercedes-Benz Leasing GmbH & Co OHG, Stuttgart and, for the first time consolidation of Fokker which amounted to DM 458 million.

In accordance with the provisions of tax law, additional depreciation has been recorded on leased equipment in the amount of DM 5 million (1992: DM 3 million).

5 Inventories	12/31/93 DM in millions	12/31/92 DM in millions
Raw materials and supplies	3,406	3,342
Work in process, service in process	10,543	8,836
Finished goods, replacement parts and goods purchased for resale	8,258	9,694
Advance payments to suppliers	2,055	1,266
	24,262	23,138

The majority of consolidated inventories is from Mercedes-Benz and Deutsche Aero-space. The increase over 1992 amounting to DM 2,560 million, is primarily from the corporate unit DASA, of which DM 2,066 million is from the first-time consolidation of Fokker. Inventory decreases were recorded in the Mercedes-Benz division.

6 Advance Payments Received

Advance payments received in the amount of DM 7,317 million (1992: DM 5,549 million) primarily represent projects and long-term contracts with AEG, DASA AG, Fokker, Dornier, Eurocopter and MTU. Such payments have been deducted from inventories.

7 Finance Receivables

This item represents receivables from customers in the amount of DM 8,771 million (1992: DM 6,166 million), of which DM 5,569 million (1992: DM 2,804 million) are long-term receivables. An allowance for losses of DM 174 million has been recorded on these receivables.

8 Other Receivables

9 Other Assets	12/31/93 DM in millions	12/31/92 DM in millions
Accounts receivable trade	11,695	11,916
of which long-term is DM 387 (1992: DM 491) million		
Receivables from affiliated companies	2,299	1,178
of which long-term is DM 6 (1992: DM 59) million		
Receivables from associated and related companies	1,355	1,677
of which long-term is DM 87 (1992: DM 58) million		
Other receivables	15,349	14,771
of which long-term is DM 480 (1992: DM 608) million		
Other assets	4,095	3,503
of which long-term is DM 378 (1992: DM 394) million		

Approximately DM 0.4 billion (1992: DM 0.4 billion) of the receivables from related companies represent fixed interest rate debt instruments and securities.

Tax refund claims and interest receivable are included in "Other assets." This item also includes liquid assets in non-marketable debt instruments amounting to DM 186 million (1992: DM 437 million).

An allowance for loss of DM 1,670 million has been provided for on receivables and other assets.

10 Securities		12/31/93	12/31/92
		DM in millions	DM in millions
	Treasury Stock	–	33
	Other securities	6,889	6,056
		6,889	6,089

In November, 1993, Daimler-Benz AG and the corporate units sold 72,945 shares (par value of DM 3.6 million, or 0.16% of equity) to employees at a discounted price of DM 337 per share. The remaining 49,357 shares of treasury stock were sold in the public market.

Other securities primarily consist of fixed interest rate instruments.

Certain current assets could have been increased by DM 27 million to their original values in accordance with German GAAP, however, the revaluation was not recorded due to a negative effect on currently payable income taxes.

11 Cash

The balance of DM 2,954 million (1992: DM 2,968 million) includes cash in banks, cash on hand, cash in the German Bundesbank and Postbank, as well as deposits in transit.

The liquid assets included in various balance sheet positions total DM 10.5 billion (1992: DM 9.8 billion).

12 Prepaid Expenses and Deferred Taxes

Deferred taxes generated from elimination procedures affecting income total DM 323 million (1992: DM 1,329 million). Among other things, the decrease is the result of minor inter-company profits from inventory reduction in the automotive sector.

Additionally, a discount totalling DM 16 million has been included in this balance sheet position.

13 Stockholders' Equity

Stockholders' equity has developed as follows:

	DM in millions
Balance at December 31, 1992	19,719
Dividends paid by Daimler-Benz AG for 1992	(604)
1993 net income to retained earnings	212
Reductions in goodwill	(855)
Unappropriated profit of Daimler-Benz AG 1993	390
Change in minority interest	(667)
Difference from currency translation	(57)
Other changes	7
Balance at December 31, 1993	18,145

14 Capital Stock and Additional Paid-in Capital

The capital stock and additional paid-in capital pertain to Daimler-Benz AG. Daimler-Benz shareholders have approved, on June 26, 1991, through June 30, 1996, the issuance of up to DM 600 million (par value) of additional share capital.

15 Retained Earnings

Retained earnings contain the German statutory provision of DM 160 million and other retained earnings of Daimler-Benz AG totalling DM 13,091 million. Retained earnings also include the group's share of the consolidated subsidiaries retained earnings and balance sheet results, provided the earnings were generated by such subsidiaries since joining the Company. Additionally, retained earnings include the cumulative effect resulting from the elimination of inter-company profits from the consolidation and foreign currency translation gains and losses.

16 Minority Interest

The interest held by third-parties in the stockholders' equity of the consolidated subsidiaries primarily consists of Daimler-Benz Luft- und Raumfahrt Holding AG, AEG, Mercedes-Benz Mexico, Dornier, MTU and Eurocopter.

In addition to the above a negative minority interest amounting to DM 758 million relates to Fokker.

17 Provisions for Pensions and Similar Obligations

Pension accruals have increased by DM 542 million to DM 12,759 million (1992: DM 12,217 million) as a result of the annual increase in pension provisions. The pension accruals and the plan assets of the external pension plan, fully fund the Company's pension obligations.

18 Other Provisions	12/31/93		12/31/92
	DM in millions		DM in millions
Accrued taxes	1,668		1,655
Difference from capital consolidation with accrual character	44		21
Other provisions	21,416		20,802
	23,128		22,478

Accrued taxes amounting to DM 833 million (1992: DM 764 million), represent currently payable income taxes for Daimler-Benz, the balance of the accrued taxes is currently payable for all other consolidated companies.

The difference from capital consolidation with accrual character represents the purchase of two subsidiaries consolidated for the first time and an accrual for related start-up expenses.

The other provisions consist of:

	12/31/93 DM in millions	12/31/92 DM in millions
Estimated future losses on open contracts	5,280	5,393
Accrued warranties and contract costs	5,753	5,139
Adjustments to capacities and reduction in workforce	3,397	1,384
Other employee benefits and social costs	1,734	2,333
Other risks	5,252	6,553

Other provisions have increased by DM 503 million over 1992 as a result of the first time consolidation of Fokker.

19 Liabilities from Leasing and Sales Financing

	12/31/93 DM in millions	12/31/92 DM in millions
Bonds	5,187	3,864
of which are due within one year		
DM 303 (1992: DM 323) million		
in more than 5 years		
DM 1,863 (1992: DM 1,664) million		
Commercial paper	3,212	3,471
of which are due within one year		
DM 3,212 (1992: DM 3,471) million		
Liabilities to financial institutions	4,408	3,024
of which are due within one year		
DM 2,316 (1992: DM 1,808) million		
in more than 5 years		
DM 126 (1992: DM -) million		
Notes payable	220	140
of which are due within one year		
DM 220 (1992: DM 140) million		
Liabilities to associated and related companies	235	132
of which are due within one year		
DM 78 (1992: DM 101) million		
Miscellaneous liabilities	398	340
of which are due within one year		
DM 254 (1992: DM 86) million		
Total liabilities from leasing and sales financing	13,660	10,971
of which are due within one year		
DM 6,383 (1992: DM 5,929) million		
in more than 5 years		
DM 1,989 (1992: DM 1,664) million		

The liabilities from leasing and sales financing provide the funds for the purchase of leased vehicles, equipment and installment sales receivable. Commercial paper borrowings are denominated in U.S. dollars.

Miscellaneous liabilities consist of loans payable and interest accruals for the financial services companies.

The liabilities from leasing and sales financing are collateralized by pledging securities of approximately DM 63 million (1992: DM 45 million).

20 Accounts Payable Trade

21 Other Liabilities

				12/31/93 DM in millions	12/31/92 DM in millions
Accounts payable trade				6,859	6,517
of which are due within one year	DM	6,746	(1992: DM 6,496) million		
in more than 5 years	DM	11	(1992: DM -) million		
Financial liabilities					
Bonds				2,797	1,436
of which are due within one year	DM	267	(1992: DM 409) million		
in more than 5 years	DM	1,102	(1992: DM 417) million		
Commercial paper				209	202
of which are due within one year	DM	209	(1992: DM 202) million		
Liabilities to financial institutions				3,810	4,300
of which are due within one year	DM	2,326	(1992: DM 3,227) million		
in more than 5 years	DM	198	(1992: DM 277) million		
Notes payable				244	174
of which are due within one year	DM	235	(1992: DM 89) million		
Other liabilities					
Liabilities to affiliated companies				1,126	1,090
of which are due within one year	DM	354	(1992: DM 941) million		
in more than 5 years	DM	437	(1992: DM -) million		
Liabilities to associated and related companies				1,819	1,782
of which are due within one year	DM	1,573	(1992: DM 1,384) million		
in more than 5 years	DM	65	(1992: DM 76) million		
Miscellaneous liabilities				5,791	4,741
of which are due within one year	DM	4,780	(1992: DM 3,615) million		
in more than 5 years	DM	318	(1992: DM 355) million		
of which for taxes	DM	1,131	(1992: DM 906) million		
of which for social benefits	DM	1,176	(1992: DM 852) million		
Total other liabilities				15,796	13,725
Total				22,655	20,242
of which are due within one year	DM	16,490	(1992: DM 16,363) million		
in more than 5 years	DM	2,131	(1992: DM 1,125) million		

Liabilities to associated and related companies include approximately DM 243 million (1992: DM 131 million) due to financial institutions. The remaining liabilities to associated and related companies are primarily obligations of Deutsche Aerospace Airbus GmbH to Airbus Industrie G.I.E., Toulouse, and accrued liabilities of DASA due to project companies.

Commercial paper is recorded at a discounted basis plus accrued interest.

Miscellaneous liabilities consist primarily of accrued payroll and related payroll withholding tax deductions.

Liabilities to financial institutions, notes payable, liabilities to affiliated and related companies and miscellaneous liabilities are secured by mortgages, liens and assignment of receivables of approximately DM 1,934 million (1992: DM 1,091 million).

Commitments and Contingencies

	12/31/93 DM in millions	12/31/92 DM in millions
Guarantees	1,229	1,383
Notes payable	275	221
Contractual guarantees	746	536
Pledges for indebtedness of others	3	9

In addition, the company is liable for compensatory payments guaranteed by Deutsche Aerospace AG which cannot be reasonably estimated for 1994 and future years. For outside shareholders of AEG Aktiengesellschaft and Daimler-Benz Luft- und Raumfahrt Holding AG claims also exist for compensatory payments which cannot be reasonably estimated.

Additionally, outstanding contractual performance guarantees exist for which future liability cannot be reasonably estimated.

Other Financial Obligations

The other financial obligations are for future services from rental, leasehold and leasing agreements and amount to an average annual amount of DM 677 million over an average contractual period of 8 years.

Other financial obligations due to non-consolidated subsidiaries, represent annual payments due of approximately DM 34 million over an average contractual period of 13 years.

In connection with the fiduciary settlement by Deutsche Aerospace Airbus GmbH of the federally guaranteed serial credits, the effective amount cannot be determined until the beginning of 1995 when the federal government's last tranche of DM 1 billion is due; this also applies to the reorganization profit received in 1989.

Within the scope of the government-supported Airbus-Development-Program, Deutsche Aerospace Airbus GmbH has agreed to assume performance portions itself. DM 199 million thereof relate to the time after the balance sheet date, to the extent that they are not already reflected in the annual accounts.

All assets acquired by Deutsche Aerospace Airbus GmbH with subsidy funds have been conveyed to the Federal Republic of Germany as security.

With reference to the development work for the Airbus program, Airbus Industrie G.I.E. has given a performance guarantee to Agence Executive (government office in charge of Airbus); this guarantee was taken over by Deutsche Aerospace Airbus GmbH – to the extent of its share interest – without restriction. Deutsche Aerospace Airbus GmbH considers the obligation fully covered by the relevant agreements for the financing and execution of the development work.

Beginning in 2002, the profit sharing agreement provides that the federal government will share 40% in the profits of Deutsche Aerospace Airbus GmbH. This requirement, in its economic effect, stipulates the sequence of the government's repayment demands.

The remaining financial obligations, particularly purchase order commitments for capital investments, are within the scope of normal business activities.

The obligation arising from stock and capital subscriptions pursuant to Section 24 of the GmbH Act, amounts to DM 9 million.

The company is jointly and severally liable for certain non-incorporated companies, partnerships and joint ventures. In addition, there exist performance and miscellaneous guarantees in connection with normal business transactions.

Notes to Consolidated Statements of Income

22 Revenues		1993 DM in millions	1992 DM in millions
	Revenues from segments:		
	Mercedes-Benz	61,728	64,849
	AEG	10,733	11,184
	DASA	18,173	16,735
	debis	7,103	5,781
		97,737	98,549

1993 revenues include revenues from Fokker of DM 3,381 million for the first time.

	1993 DM in millions	1992 DM in millions
Group revenues by geographical region:		
Domestic	38,319	42,572
Foreign	59,418	55,977
Foreign revenues are as follows:		
EU countries	20,049	22,349
Other Europe	5,254	4,682
North America	17,138	13,881
Latin America	5,238	3,850
Other countries	11,739	11,215

23 Increase in Inventories and Other Capitalized Costs

	1993 DM in millions	1992 DM in millions
Decrease (1992: increase) of inventories of finished goods, work in process including replacement parts	(1,090)	944
Other capitalized costs	2,847	1,386
	1,757	2,330

The increase of other capitalized costs is the result of the expansion of leasing activities in the automotive sector and the first time consolidation of Fokker.

24 Other Operating Income

Income from dissolved provisions is DM 2,348 million (1992: DM 1,519 million). Gains totalling DM 1,659 million were realized from the sale of securities. Additionally, the recapture of over-funded assets of Daimler-Benz Unterstützungskasse GmbH to Daimler-Benz AG resulted in income totalling DM 237 million. The source of such re-capture is the 1992 Tax Amendment Law, which limits the over-funding of such assets. Additional income resulted from the currency translation gains from countries outside of Germany relating to open payments and deliveries. Losses from open payments and deliveries are included in "Other operating expenses". Additionally, income was generated from subrental agreements.

Other operating income in the amount of DM 3,581 million (1992: DM 2,226 million) is primarily related to reductions in estimated loss provisions.

25 Costs of Materials	1993 DM in millions	1992 DM in millions
Cost of raw materials, supplies and goods purchased for resale	44,481	43,951
Costs of services purchased	6,595	5,133
	51,076	49,084

The cost of materials compared to the total output of DM 99,494 million (1992: DM 100,879 million) is 51% (1992: 49%), respectively.

26 Personnel Expenses/ Number of Employees	1993 DM in millions	1992 DM in millions
Wages and salaries	27,653	26,138
Social levies and expenses for pensions	6,137	5,865
	33,790	32,003
Number of employees (annual average)	Number	Number
Hourly paid employees	206,607	216,023
Salaried employees	149,983	150,650
Employees in training programs	14,517	15,960
	371,107	382,633

The wages and salaries also include personnel expenses of DM 3.1 billion for restructuring in conjunction with workforce reductions; of this amount, DM 2.7 billion represent accruals for provisions.

The number of employees also includes 11,575 people employed by Fokker. Additionally, 10,740 people are employed in joint ventures.

27 Amortization of Intangible Assets, Depreciation of Property, Plant and Equipment and Leased Equipment	1993 DM in millions	1992 DM in millions
Amortization of intangible assets	314	208
Depreciation of property, plant and equipment	5,209	4,699
Depreciation of leased equipment	2,536	2,178
	8,059	7,085

The majority of the property, plant and equipment is owned by Mercedes-Benz.

The increase of depreciation of leased equipment over the prior year results from the expanded leasing activities of the domestic and foreign financial service companies.

**28 Other
Operating Expenses**

Other operating expenses include increases to provisions, maintenance costs, administrative and sales costs including commissions for sales representatives, rental and leasing costs, currency exchange translation losses from open payments and deliveries, freight and packaging, and the losses from currency exchange translation of companies in highly inflationary countries. An accrual has been provided for future restructuring costs. Fokker's DM 94 million loss arising from the acquisition during the period from January 1 through May 18, 1993 has been deducted from other operating expenses.

Additionally, included in other operating expenses are DM 224 million (1992: DM 161 million) which primarily relate to changes in estimated loss provisions.

**29 Income from Affiliated,
Associated and
Related Companies**

	1993 DM in millions	1992 DM in millions
Income from investments	145	157
of which are from affiliated companies DM 15 (1992: DM 26) million		
Income from profit and loss absorption agreements	13	19
Income from companies included at equity	(27)	5
Loss from profit and loss absorption agreements	(28)	(63)
	103	118

30 Interest Income, Net

	1993 DM in millions	1992 DM in millions
Income from other securities and long-term investments	149	158
Other interest and similar income	2,335	2,724
of which are from affiliated companies DM 11 (1992: DM 10) million		
Other interest and similar expenses	(2,028)	(2,305)
of which are to affiliated companies DM 60 (1992: DM 26) million		
	456	577

Interest paid to third parties from the leasing and sales financing business amounts to DM 342 million (1992: DM 421 million).

**31 Provisions for Losses on
Financial Assets
and of Securities**

	1993 DM in millions	1992 DM in millions
Provisions for losses on financial assets	298	83
Provisions for losses on marketable securities	2	38
	300	121

32 Extraordinary Income

The extraordinary income, amounting to DM 2,603 million, include non-recurrent income from the new valuation methods and changes in accounting principles as explained in the "Summary of Accounting Policies".

At January 1, 1993, provisions were reduced by DM 1,935 million; of this amount, DM 1,119 million were allocated to expenditure provisions, DM 548 million to provisions for employee benefits and social costs, and DM 268 million to provisions for maintenance costs. An additional reduction of DM 445 million resulted from a change in receivable valuation methods. Additional income of DM 223 million was realized from translating inventories of companies in highly inflationary countries using historical exchange rates for the first time.

33 Taxes		1993	1992
		DM in millions	DM in millions
	Income taxes	515	586
	Other taxes	390	496
		905	1,082

The lower income taxes are due to tax refunds received by the companies located in Germany.

34 Net Income

In addition to the economic slowdown of important markets, 1993 net income of DM 615 million was reduced by a one time charge of DM 3.5 billion, before income taxes, for the restructuring of capacities and reduction in workforce. Offsetting this one time charge was income from securities sold, from the new accounting and valuation methods utilized and reduced tax expenses.

Statutory depreciation of financial and current assets had an insignificant effect on consolidated net income.

Other Information/Executive Bodies

Under the presumption that the proposed dividend is ratified by the shareholders at the Annual Meeting on May 18, 1994, the remuneration paid by the group companies to the members of the Board of Management and the Supervisory Board of Daimler-Benz AG amounts to DM 14,348,204 and DM 1,289,595 respectively. Disbursements to former members of the Board of Management of Daimler-Benz AG and their survivors amount to DM 9,790,261. An amount of DM 79,727,443 has been accrued in the financial statements of Daimler-Benz AG and Mercedes-Benz AG for pension obligations to former members of the Board of Management and their survivors. As of December 31, 1993, advances and loans to members of the Board of Management of Daimler-Benz AG amounted to DM 169,863. Home mortgages included herein are not subject to interest; other loans and advances bear interest averaging 5.5%. During 1993, DM 65,104 of outstanding loans was repaid. The terms for home mortgages are ten years and less than one year for loans and advance payments.

Auditor's Report

We rendered an unqualified opinion on the consolidated financial statements and the business review report in accordance with § 322 HGB (German Commercial Code). The translation of our opinion reads as follows:

"The consolidated financial statements, which we have audited in accordance with professional standards, comply with the legal provisions. With due regard to the generally accepted accounting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and results of operations of the Daimler-Benz group. The business review report, which summarizes the state of affairs of Daimler-Benz Aktiengesellschaft and that of the group, is consistent with the financial statements of Daimler-Benz Aktiengesellschaft and the consolidated financial statements."

Frankfurt/Main, March 23, 1994

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Zielke
"Certified Public Accountant"

Dr. Koschinsky
"Certified Public Accountant"

Balance Sheet of Daimler-Benz AG

		December 31, 1993	December 31, 1992
		- in Millions of DM -	
ASSETS			
Non-Current Assets			
Intangible Assets		7	6
Property, Plant and Equipment		757	872
Financial Assets		21,378	20,648
		22,142	21,526
Current Assets			
Receivables from Affiliated Companies		5,657	4,778
Other Receivables and Other Assets		1,374	1,001
Securities		4,833	4,806
Cash		1,287	1,264
		13,151	11,849
Prepaid Expenses		.	1
Total Assets		35,293	33,376
STOCKHOLDERS' EQUITY AND LIABILITIES			
Stockholders' Equity			
Capital Stock		2,330	2,330
Additional Paid-In Capital		2,117	2,117
Retained Earnings		13,251	8,760
Unappropriated Profit		390	5,094
		18,088	18,301
Provisions			
Provisions for Pensions and Similar Obligations		4,800	4,473
Other Provisions		1,145	1,312
		5,945	5,785
Liabilities			
Liabilities Payable to Affiliated Companies		10,595	8,636
Other Liabilities		654	653
		11,249	9,289
Prepaid Expenses		1	1
Total Stockholders' Equity and Liabilities		35,293	33,376

Statements of Income of Daimler-Benz AG

	1993 in Mill. of DM	1992 in Mill. of DM
Income/loss from Affiliated, Associated and Related Companies	(1,645)	1,583
Interest Income, Net	85	60
Other Operating Income	2,421	664
Personnel Expenses including Pension Benefits of DM 31 million (1992: DM 34 million)	(393)	(365)
Amortization of Intangible Assets and Depreciation of Property, Plant and Equipment	(132)	(132)
Provisions for Losses on Financial Assets and Securities	(1,172)	(37)
Other Operating Expenses	(943)	(1,092)
Income from Ordinary Business Activities	(1,779)	681
Income Taxes	538	189
Other Taxes	(91)	(167)
Income from Ordinary Business Activities after Taxes	(1,332)	703
Extraordinary Income of Which from Investments in Related Companies DM 1,042 million (1992: 1,689 million)	1,722	4,490
Net Income	390	5,193
Profit Carried Forward from Previous Year	–	2
Transfer to Retained Earnings	–	(101)
Unappropriated Profit	390	5,094

Proposal for the Allocation of Unappropriated Profit

The annual financial statements of Daimler-Benz AG as of December 31, 1993, show an unappropriated profit of DM 390,387,317.00. It will be proposed at the Annual General Meeting that this amount be applied as follows:

	DM
Dividend amount of DM 8.00 for each share of DM 50.00 par value	372,742,080.00
Profit brought forward	17,645,237.00
Unappropriated profit	390,387,317.00

Stuttgart-Möhringen, March 8, 1994

The Board of Management

Supervisory Board

HILMAR KOPPER
Frankfurt/Main
Member of the Board of Management,
Deutsche Bank AG
Chairman

KARL FEUERSTEIN*)
Mannheim
Chairman of the Corporate Labor
Council, Daimler-Benz Group
Chairman of the Joint Labor
Council, Mercedes-Benz AG
Deputy Chairman

PROF. DR. RER. NAT. GERD BINNIG
Munich
Head of IBM Physics Group

WILLI BÖHM*)
Kandel
Member of the Labor Council,
Wörth Plant, Mercedes-Benz AG

BIRGIT BREUEL
Berlin
President of the Treuhandanstalt
(Government Agency for Privatization)

PROF. HUBERT CURIEN
Paris
Former Minister for Research and
Technology of the Republic of France

DR. JUR. MICHAEL ENDRES
Frankfurt/Main
Member of the Board of Management,
Deutsche Bank AG

WOLFGANG GABELE*)
Bremen
Deputy Chairman of the
Corporate Labor Council,
Daimler-Benz Group Chairman of the
Corporate Labor Council and the
Joint Labor Council, AEG

MANFRED GÖBELS*)
Leonberg
Senior Manager, Mercedes-Benz AG
Chairman of the Senior Managers'
Committee, Daimler-Benz Group
Chairman of the
Senior Joint Managers' Committee,
Mercedes-Benz AG

ERICH KLEMM*)
Calw
Chairman of the Labor Council,
Sindelfingen Plant,
Mercedes-Benz AG

MARTIN KOHLHAUSSEN
Frankfurt/Main
Speaker for the Board of Management,
Commerzbank AG

RUDOLF KUDA*)
Frankfurt/Main
Departmental Manager within the
Board of Management,
Metal-Workers' Union

HELMUT LENSE*)
Stuttgart
Member of the Labor Council,
Untertürkheim Plant,
Mercedes-Benz AG

WALTER RIESTER**)
Frankfurt/Main
Vice-Chairman,
Metal-Workers' Union
(as of 10/26/1993)

JÜRGEN SARRAZIN
Frankfurt/Main
Speaker for the Board of Management,
Dresdner Bank AG

DR. JUR. ROLAND SCHELLING
Stuttgart
Attorney at Law

DR. MANFRED SCHNEIDER
Leverkusen
Chairman of the Board
of Management, Bayer AG
(as of 12/20/1993)

PETER SCHÖNFELDER*)
Augsburg
Member of the Labor Council,
Deutsche Aerospace AG

PROF. DR. JUR. JOHANNES SEMLER
Kronberg/Taunus
Lawyer

BERNHARD WURL*)
Mainz
Departmental Manager within the
Board of Management,
Metal-Workers' Union

*) Elected by the employees.
**) Judicially appointed as employee
representative.

Outgoing Members of the
Supervisory Board:

HERMANN J. ABS
Frankfurt/Main
Honorary Chairman,
Deutsche Bank AG

Honorary Chairman
(deceased 02/06/1994)

RICHARD BOLLMANN*)
Mannheim
Senior Manager, Deputy Chairman of
the Senior Managers' Committee,
Mercedes-Benz AG
(on 05/26/1993)

PROF. DR.-ING. E.H.
WERNER BREITSCHWERDT
Stuttgart
(on 05/26/1993)

DR. RER. POL. HORST J. BURGARD
Frankfurt/Main
Member of the Supervisory Board,
Deutsche Bank AG
(on 05/26/1993)

HELMUT FUNK*)
Stuttgart
Chairman of the Labor Council,
Untertürkheim Plant and Main Office,
Mercedes-Benz AG
(on 05/26/1993)

HUGO LOTZE*)
Reinhardshagen
Chairman of the Labor Council,
Kassel Plant,
Mercedes-Benz AG
(on 05/26/1993)

PROF. DR.-ING. E.H. DR. H.C.
WERNER NIEFER
Stuttgart
(deceased 09/12/1993)

DIPL.-ING. HANS-GEORG POHL
Hamburg
Deutsche Shell AG
(on 05/26/1993)

DR. RER. POL. WOLFGANG RÖLLER
Frankfurt/Main
Chairman of the Supervisory Board,
Dresdner Bank AG
(on 05/26/1993)

SIEGFRIED SAUTER*)
Frankfurt/Main
Deputy Chairman of the Corporate
Labor Council, Daimler-Benz AG
Chairman of the Joint Labor Council,
AEG Aktiengesellschaft
(on 05/26/1993)

FRANZ STEINKÜHLER*)
Frankfurt/Main
First Chairman,
Metal-Workers' Union
(on 06/21/1993)

HERMANN-JOSEF STRENGER
Leverkusen
Chairman of the Supervisory Board,
Bayer AG
(on 05/26/1993)

*) Elected by the employees.

Report of the Supervisory Board



During 1993, the Supervisory Board held four formal meetings in which we were informed in detail concerning the state of the company and essential matters of corporate policy. The Supervisory Board also discussed these issues with the Board of Management. Our discussions focused on medium-term corporate planning, including but not limited to capital expenditures, trends in employment and earnings and further developments in the structuring of the group. Additionally, we discussed major business transactions and made decisions concerning individual transactions which, by either law or company by-laws, required submission to the Supervisory Board for review and approval.

The Supervisory Board examined the consolidated financial statements and the business review of Daimler-Benz AG and the group, as well as the proposal for the allocation of unappropriated profit. KPMG Deutsche Treuhand-Gesellschaft AG, Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, audited the financial statements of Daimler-Benz AG and the consolidated financial statements of the group as of December 31, 1993, as well as the business review. The consolidated financial statements were in accordance with generally accepted accounting principles. The Supervisory Board approved the audit results of KPMG in a joint meeting with the Board of Management on April 7, 1994.

In connection with the audit engagement, the Supervisory Board and KPMG had no disagreement with the company's records. We approved the 1993 consolidated financial statements of Daimler-Benz AG as prepared by the Board of Management; and such financial statements are hereby ratified. We concur with the proposal of the Board of Management regarding the allocation of unappropriated profit. The consolidated financial statements, the business review and the external auditors' report were submitted to us.

As a result of the regularly scheduled elections to the Supervisory Board, at the Annual General Meeting on May 26, 1993, a number of changes were made in the Supervisory Board. Departing the supervisory board were Prof. Dr.-Ing. Werner Breitschwerdt, Stuttgart, Dr. Horst Burgard, Frankfurt/Main, Hans-Georg Pohl, Hamburg, Dr. Wolfgang Röller, Frankfurt/Main and Hermann-Josef Strenger, Leverkusen. Elected to the supervisory board were Mrs. Birgit Breuel, Berlin, as well as Prof. Hubert Curien, Paris, Dr. jur. Michael Endres, Frankfurt/Main, Prof. Werner Niefer, Stuttgart and Jürgen Sarrazin, Frankfurt/Main.

Also departing the Supervisory Board, at the close of the Annual General Meeting on May 26, 1993, were the following employee representatives: Richard Bollmann, Mannheim, Helmut Funk, Stuttgart, Hugo Lotze, Reinhardshagen, and Siegfried Sauter, Frankfurt/Main. Elected to the Supervisory Board were the following employee representatives: Willi Böhm, Kandel, Wolfgang Gabele, Bremen, Manfred Göbels, Leonberg, and Helmut Lense, Stuttgart. Franz Steinkühler, Frankfurt/Main who resigned from the Supervisory Board on June 21, 1993 was replaced by Walter Riestler, Frankfurt/Main, on October 26, 1993, by the appropriate legal body.

Hermann Josef Abs, Frankfurt/Main, died on February 6, 1994. He served as Chairman of the Supervisory Board from 1955 to 1970 and subsequently as Honorary Chairman. During his service Mr. Abs greatly influenced the development of Daimler-Benz and we will always remember his achievements and exceptional personality with great admiration and respect.

Professor Werner Niefer, a former member of the Board of Management from 1975 through May 26, 1993, died on September 12, 1993. On May 26, 1993, Mr. Niefer was elected to the Supervisory Board. He was able to participate in the Board only for a very short period. We would have liked to draw on his energy and wealth of experience for a long time to come. As a replacement for Mr. Niefer, Dr. Manfred Schneider, Leverkusen, was elected to the Supervisory Board on December 20, 1993.

Mr. Herbert Lucy, Mannheim, died on January 15, 1994. From the year 1965 until leaving the company in November, 1989, he had been a member of the Supervisory Board as employee representative, and as of 1978 as deputy chairman. His committed efforts on behalf of the employees, his conscientious cooperation and willingness to work together with trust and respect, earned him widespread appreciation and recognition – both within and outside the company. We will remember Mr. Lucy with great admiration.

We would like to take this opportunity to express our sincere gratitude to the outgoing members of the Supervisory Board, some of whom belonged to this Board for many years, for their active participation and their highly technical knowledge.

Stuttgart-Möhringen, April, 1994
The Supervisory Board

A blue ink signature, likely of the Chairman, written in a cursive style.

Chairman

Executive Management and Daimler-Benz Group Representatives

Executive Management

DR. JUR. BOY-JÜRGEN ANDRESEN
Personnel Policy

HANSJÖRG BAUMGART
Daimler-Benz Art Possessions

MARTIN BERGER
Annual Accounts and
Accounts Planning

DR. RER. POL. ROLF A. HANSSEN*)
Corporate Planning and Controlling

MATTHIAS KLEINERT*)
Public Affairs and Political –
Economic Policy

DR.-ING. MICHAEL KRÄMER
Research 1

DR. RER. NAT. VOLKER LEHMANN
Research 2

WERNER POLLMANN
Technology, Environmental Officer
Daimler-Benz

PROF. DR. RER. NAT.
ROLF SCHARWÄCHTER*)**)
Directorate for Group Business in
Emerging Markets

JÖRG SEIZER
Subsidiaries and Affiliated Companies

KONRAD STRAUB
Corporate Auditing

DR. OEC. PUBL. PAUL WICK*)
Finance and Taxes

DR. JUR. SOLMS WITTIG*)
Staff Lawyer

GERD WORIESCHECK
Personnel Development
for Senior Group Executives

Daimler-Benz Group Representatives

Berlin

PETER-HANS KEILBACH
Englerallee 40
14195 Berlin

Bonn

ALFONS PAWELCZYK
Friedrich-Ebert-Allee 26
53113 Bonn

Brussels

DR. HANNS R. GLATZ
133, RUE FOISSART – BTE. 29
B-1040 BRUSSELS
BELGIUM

JERUSALEM/TEL AVIV

BENJAMIN NAVON
Ramban Street 11
Jerusalem
Israel

Moscow

LOTHAR GLEITZE
Prosp. Vernadskogo 9/10, App. 602
Moscow 117311
Russia

Tokyo

RAINER JAHN
Roppongi First Bldg.
9-9, Roppongi 1-chome
Minato-ku, Tokyo 106
Japan

Washington D.C.

RICHARD H. IMUS
Suite 800, 1350 I Street, N. W
Washington D. C. 20005-3305
U.S.A.

*) With general power of procurement.

**) Also deputy member of the Mercedes-Benz
Board of Management without an own
department.

Principal Subsidiaries and Affiliated Companies of Daimler-Benz AG

(by corporate units)

Mercedes-Benz

Mercedes-Benz AG Stuttgart	Mercedes-Benz Hellas S.A. Athens/Greece
DEM 1,950,000,000 100% owned	GRD 3,766,000,000 (DEM 26.2 million) 100% owned
Maschinenfabrik Esslingen AG Esslingen a. N.	Mercedes-Benz Portugal Comércio de Automóveis, S.A. Abrunheira/Portugal
DEM 42,515,000 98.9% owned	PTE 500,000,000 (DEM 4.9 million) 100% owned
Holzindustrie Bruchsal GmbH Bruchsal	Mercedes-Benz Danmark AS Hillerød/Denmark
DEM 22,000,000 100% owned	DKK 70,000,000 (DEM 17.9 million) 100% owned
Mercedes-Benz España S.A. Madrid/Spain	Freightliner Corp. Portland, Oregon/USA
ESP 22,296,291,000 (DEM 270.9 million) 100% owned	USD 180,000,000 (DEM 310.7 million) 100% owned
Mercedes-Benz (United Kingdom) Ltd. Milton Keynes/United Kingdom	Mercedes-Benz of North America, Inc. Montvale, New Jersey/USA
GBP 40,000,000 (DEM 102.2 million) 100% owned	USD 130,000,000 (DEM 224.4 million) 100% owned
Mercedes-Benz Nederland B.V. Utrecht/Netherlands	Mercedes-Benz Canada, Inc. Toronto/Canada
NLG 57,000,000 (DEM 50.9 million) 100% owned	CAD 5,000,000 (DEM 6.5 million) 100% owned
Mercedes-Benz Belgium S.A./N.V. Brussels/Belgium	Mercedes-Benz Mexico S.A. de C.V. Mexico D.F./Mexico
BEF 1,800,050,000 (DEM 86.6 million) 100% owned	MXN 94,519,721 (DEM 52.6 million) 80% owned
Mercedes-Benz France S.A. Rocquencourt/France	Mercedes-Benz do Brasil S.A. São Bernardo do Campo/Brazil
FRF 230,000,000 (DEM 67.7 million) 100% owned	BRR 136,105,000,000 (DEM 724.2 million) 100% owned
Mercedes-Benz Italia S.p.A. Rome/Italy	Sociedade Técnica de Fundações Gerais S.A. (SOFUNGE) São Paulo/Brazil
ITL 77,500,000,000 (DEM 78.4 million) 88.5% owned	BRR 4,783,000,000 (DEM 25.5 million) 100% owned
Mercedes-Benz (Schweiz) AG Zurich/Switzerland	Mercedes-Benz Argentina S.A. Buenos Aires/Argentina
CHF 6,000,000 (DEM 7.1 million) 51% owned	ARS 30,000,000 (DEM 52.0 million) 100% owned
NAW Nutzfahrzeuggesellschaft Arbon & Wetzikon AG Arbon/Switzerland	Mercedes-Benz of South Africa (Pty.) Ltd. Pretoria/ Republic of South Africa
CHF 15,000,000 (DEM 17.6 million) 100% owned	ZAR 28,300,000 (DEM 14.4 million) 78.5% owned 5)
Mercedes-Benz Österreich Vertriebsgesellschaft m.b.H. Salzburg/Austria	Anambra Motor Manufacturing Co. Ltd (ANAMMCO) Enugu/Nigeria
ATS 5,000,000 (DEM 0.7 million) 50% owned 2)	NGN 37,500,000 (DEM 2.9 million) 40% owned 1)

AEG Daimler-Benz Industrie

AEG Aktiengesellschaft Berlin and Frankfurt/Main
DEM 931,171,700 80.2% owned
AEG Hausgeräte AG Nuremberg
DEM 120,000,000 80% owned
AEG Bahnsysteme GmbH Berlin
DEM 131,000,000 100% owned
AEG Transportation Systems, Inc. Pittsburg, Pennsylvania/USA
USD 39,200,000 (DEM 67.7 million) 100% owned
AEG Schienenfahrzeuge GmbH Hennigsdorf
DEM 15,000,000 100% owned
MODICON, Inc. Andover, Massachusetts/USA
USD 157,432,000 (DEM 271.8 million) 100% owned
AEG Electrocom GmbH Konstanz
DEM 60,000,000 100% owned
AEG ETI Elektrik Endüstrisi A.S. Gebze, Istanbul/Turkey
TRL 108,000,000,000 (DEM 12.9 million) 71% owned
AEG Starkstromanlagen Dresden GmbH Dresden
DEM 19,200,000 100% owned
AEG Ibérica de Electricidad S.A. Madrid/Spain
ESP 6,635,524,500 (DEM 80.6 million) 100% owned
AEG Austria Gesellschaft m.b.H. Vienna/Austria
ATS 300,000,000 (DEM 42.7 million) 57% owned
AEG Fábrica de Motores S.A. Terrassa, Barcelona/Spain
ESP 3,000,000,000 (DEM 36.5 million) 100% owned

Deutsche Aerospace

Daimler-Benz Luft- und Raumfahrt Holding AG
Munich
DEM 2,008,042,000
93.8% owned ⁷⁾

Deutsche Aerospace AG
Munich
DEM 873,000,000
100% owned

Deutsche Aerospace Airbus GmbH
Hamburg
DEM 930,000,000
100% owned

N.V. Koninklijke Nederlandse Vliegtuigenfabriek Fokker
Amsterdam/Netherlands
NLG 467,455,590
(DEM 417.7 million)
51.4% owned ⁶⁾

Eurocopter Holding S.A.
Paris/France
FRF 3,720,587,500
(DEM 1,094.8 million)
40% owned ³⁾

ERNO Raumfahrttechnik GmbH
Bremen
DEM 10,000,000
100% owned

MTU Motoren- und Turbinen-Union München GmbH
Munich
DEM 156,600,000
100% owned

MTU Motoren- und Turbinen-Union Friedrichshafen GmbH
Friedrichshafen
DEM 100,000,000
88.4% owned

MTU Maintenance GmbH
Langenhagen
DEM 30,000,000
100% owned

Dornier GmbH
Friedrichshafen
DEM 150,402,800
57.6% owned ⁴⁾

Dornier Luftfahrt GmbH
Oberpfaffenhofen
DEM 50,000,000
100% owned

Dornier Medizintechnik GmbH
Munich
DEM 10,000,000
100% owned

Daimler-Benz InterServices (debis)

Daimler-Benz InterServices (debis) AG
Berlin
DEM 600,000,000
100% owned

debis Systemhaus GmbH
Stuttgart
DEM 200,000,000
100% owned

debis Systemhaus CCS GmbH
Stuttgart
DEM 100,000,000
100% owned

CAP debis Software und Systeme GmbH
Hamburg
DEM 50,020,000
51% owned

Diebold Deutschland GmbH
Eschborn
DEM 1,098,000
84% owned

Mercedes-Benz Finanz GmbH
Stuttgart
DEM 240,000,000
100% owned

Mercedes-Benz Credit Corp.
Norwalk, Connecticut/USA
USD 274,970,000
(DEM 474.7 million)
100% owned

debis Assekuranz Vermittlungs GmbH
Stuttgart
DEM 6,115,000
100% owned

debis Industriehandel GmbH
Stuttgart
DEM 10,000,000
100% owned

debis Marketing Services GmbH
Frankfurt/Main
DEM 5,000,000
100% owned

debitel Kommunikations-technik GmbH & Co. KG
Stuttgart
DEM 10,000,000
64.1% owned

Sogeti S.A.
Grenoble/France
FRF 769,132,600
(DEM 226.3 million)
34% owned ²⁾

Joint Venture Companies

TEMIC TELEFUNKEN microelectronic GmbH
Heilbronn
DEM 238,200,000
100% owned

TEMIC MBB Mikrosysteme GmbH
Kirchheim unter Teck
DEM 46,000,000
100% owned

TEMIC Bayern-Chemie Airbag GmbH
Aschau
DEM 22,000,000
100% owned

Siliconix Inc.
Santa Clara, California/USA
USD 59,113,000
(DEM 102.0 million)
80.4% owned

Mercedes-Benz CharterWay GmbH
Stuttgart
DEM 1,000,000
100% owned

Holding and Finance Companies

Daimler-Benz Holding AG
Zurich/Switzerland
CHF 147,000,000
(DEM 172.9 million)
100% owned

Daimler-Benz UK plc
London/United Kingdom
GBP 100,000,000
(DEM 255.6 million)
100% owned

Daimler-Benz Holding France S.A.
Rocquencourt/France
FRF 270,000,000
(DEM 79.4 Mio.)
99.9% owned

Daimler-Benz Holding/Nederland B.V.
Utrecht/Netherlands
NLG 150,000,000
(DEM 134.0 million)
100% owned

Daimler-Benz Holding Belgium S.A./N.V.
Brussels/Belgium
BEF 3,370,000,000
(DEM 162.2 million)
100% owned

Daimler-Benz Coordination Center S.A.
Zaventem/Belgium
BEF 12,300,000,000
(DEM 592.0 million)
100% owned

Daimler-Benz North America Corporation
New York, N.Y./USA
USD 992,941,457
(DEM 1,714.1 million)
100% owned

Note:

Selected consolidated and non-consolidated companies.

Capital ties of principal subsidiaries and affiliated companies shown in the table on page 59 as well as in the subsidiaries and affiliates list under section 313 of the HGB. (German Commercial Code).

Ownership percentages relate to the relevant parent company.

() Capital converted into DEM at year-end rates.

1) Not consolidated.

2) Included at equity.

3) Consolidated pro rata.

4) Voting stock 87.5%.

5) Allowing for an option, 76.6%.

6) Via intermediate holdings.

7) Incl. the part acquired from the State of Bavaria.

Daimler-Benz in Figures

	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
Number of Employees (at Year-End)										
Daimler-Benz-Group	199,872	231,077	319,965	326,288	338,749	368,226	376,785	379,252	376,467	366,736
of which: Germany	158,043	186,652	257,538	262,658	268,277	298,199	303,404	305,295	302,464	284,576
Foreign	41,829	44,425	62,427	63,630	70,472	70,027	73,381	73,957	74,003	82,160
Mercedes-Benz	-	-	-	-	-	223,219	230,974	237,442	222,482	209,933
AEG	-	-	78,199	80,499	89,585	77,722	76,949	76,338	60,784	58,921
Deutsche Aerospace	-	-	-	-	-	62,959	61,276	56,465	81,872	86,086
debis	-	-	-	-	-	-	4,879	6,203	8,258	8,812

Major Balance Sheet and Income Figures

- in Millions of DM -

Daimler-Benz-Group

Non-Current Assets	8,228	10,209	10,857	12,202	17,342	20,084	23,448	29,198	33,633	35,354
Current Assets	20,398	25,571	31,168	34,336	34,589	42,653	43,891	46,516	52,551	55,572
Capital Stock	1,699	1,699	2,118	2,118	2,118	2,330	2,330	2,330	2,330	2,330
Total Paid-In Capital and Retained Earnings ¹⁾	6,831	8,070	7,742	6,778	8,075	13,314	14,059	15,301	15,557	14,864
of which: Paid-In Capital	-	-	368	370	370	2,114	2,117	2,117	2,117	2,117
Retained Earnings ¹⁾	-	-	7,374	6,408	7,705	11,200	11,942	13,184	13,440	12,747
Minority Interests in Subsidiaries	143	330	1,251	768	626	767	881	1,214	1,228	561
Stockholders' Equity²⁾	8,530	9,769	11,111	9,663	10,819	16,411	17,270	18,845	19,115	17,772
% of Total Assets	29.8	27.3	26.4	20.8	20.8	26.2	25.6	24.9	22.2	19.5
% of Non-Current Assets ³⁾	103.7	95.7	102.3	97.7	79.2	109.1	102.0	89.3	80.1	75.7
Long and Medium-Term Liabilities ⁴⁾	9,452	11,201	17,696	22,744	24,485	24,331	25,529	28,045	33,833	37,118
Stockholders' Equity Plus Long and Medium-Term Liabilities	17,982	20,970	28,807	32,407	35,304	40,742	42,799	46,890	52,948	54,890
Balance Sheet Total	28,626	35,780	42,025	46,538	51,931	62,737	67,339	75,714	86,184	90,926
Total investment⁵⁾	3,523	5,492	5,580	3,736	7,007	7,620	6,857	9,535	8,363	6,804
% of Sales	8.1	10.5	8.5	5.5	9.5	10.0	8.0	10.0	8.5	7.0
of which: in Property, Plant and Equipment and Intangible Assets	3,374	4,014	5,385	3,834	6,628	7,242	6,539	7,231	8,047	6,515
Germany	2,166	2,753	3,891	3,392	6,038	6,459	5,680	6,115	7,284	4,061
Foreign	1,208	1,261	1,494	442	590	783	859	1,116	763	2,454
in Financial Assets (net)	149	1,478	195	-98	379	378	318	2,304	316	289
Total Depreciation³⁾	2,828	3,275	3,361	2,560	3,086	3,218	3,780	4,328	4,990	5,821
of which: in Property, Plant and Equipment and Intangible Assets	2,825	3,242	3,239	2,505	3,074	3,138	3,670	4,213	4,907	5,523
Germany	2,342	2,514	2,575	2,192	2,708	2,620	3,071	3,639	4,269	4,858
Foreign	483	728	664	313	366	518	599	574	638	665
in Financial Assets	3	33	122	55	12	80	110	115	83	298
Cash flow⁶⁾	5,562	5,012	6,214	6,626	6,130	5,991	6,711	7,814	5,328	9,913
% of Sales	12.8	9.6	9.5	9.8	8.3	7.8	7.8	8.2	5.4	10.1

1) Including allocations authorized by the Annual General Meeting and profit carried forward as unappropriated profit.

2) Excluding dividend; including equity portion contained in equity reserve.

3) Excluding leased vehicles (from 1987 on).

4) Long and medium-term provisions as well as long and medium-term liabilities.

5) Intangible assets, property, plant and equipment, long-term financial assets (net) and cost of investments in excess of book value at acquisition (to 1986), excluding leased vehicles (from 1987 on).

6) From 1991 on cash flow from business activities.

7) Consolidated values of Dornier and MTU included in group sales revenue.

8) Due to non-recurrent income and expense items not comparable with other years.

9) Excluding extraordinary income of DM 4,490 million.

10) Dividend plus bonus.

11) For our stockholders who are taxable in Germany.

12) Allowing for increases in capital stock (retroactive adjustment).

	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
- in Millions of DM -										
Sales Revenue	43,505	52,409	65,498	67,475	73,495	76,392	85,500	95,010	98,549	97,737
of which: Germany	14,682	18,706	27,838	28,064	29,094	29,562	36,674	44,443	42,572	38,319
Foreign	28,823	33,703	37,660	39,411	44,401	46,830	48,826	50,567	55,977	59,418
Foreign Sales in %	66.3	64.3	57.5	58.4	60.4	61.3	57.1	53.2	56.8	60.8
Mercedes-Benz	-	-	-	-	-	54,969	57,872	65,317	64,849	61,728
of which: Passenger Cars	23,245	28,549	31,405	31,472	31,833	31,865	34,142	38,331	38,650	36,370
Commercial Vehicles	18,367	20,204	17,755	19,454	23,063	23,104	23,730	26,986	26,199	25,358
AEG	-	-	11,070	11,480	13,152	11,852	12,721	13,573	11,184	10,733
Deutsche Aerospace	-	3,194 ⁷⁾	4,882 ⁷⁾	4,421 ⁷⁾	4,976 ⁷⁾	7,489	12,168	11,974	16,735	18,173
debis	-	-	-	-	-	-	2,739	4,146	5,781	7,103
Total Revenue	44,078	53,775	66,418	69,061	75,637	80,552	88,340	98,566	100,879	99,494
Total Average Annual Revenue Per Employee (in DM)	225,572	235,648	207,759	211,996	224,459	237,005	236,066	258,357	263,644	268,101
Purchases of Goods and Services	22,707	27,245	32,467	33,701	37,646	39,552	44,477	49,456	49,084	51,076
Personnel Expenses	11,598	13,657	19,367	20,670	22,371	23,199	26,890	29,372	32,003	33,790
Average Annual Personnel Expenses Per Employee (in DM)	59,355	59,846	60,581	63,451	66,388	68,257	71,857	76,989	83,639	91,052
Results from Ordinary Business Activities	-	-	5,880	5,297	5,197	10,096⁸⁾	4,221	4,027	2,533	-1,083
% of Total Revenue	-	-	8.9	7.7	6.9	12.5	4.8	4.1	2.5	-1.1
Taxes	3,027	4,341	4,113	3,515	3,495	3,287	2,426	1,541	1,082	905
Net Income	1,104	1,682	1,767	1,782	1,702	6,809⁸⁾	1,795	1,942	1,451	615
% of Total Revenue	2.5	3.1	2.7	2.6	2.3	8.5	2.0	2.0	1.4	0.6
Daimler-Benz AG										
Net Income	711	1,252	1,404	1,403	1,382	1,120	1,120	1,194	703⁹⁾	390
Total Dividend Amount (Paid/Proposed)	356	491	507	503	504	555	557	603	604	373
Dividend for Each DM 50 Par Value Share (in DM)	10.50	12.- +2.50 ¹⁰⁾	12.-	12.-	12.-	12.-	12.-	13.-	13.-	8.-
Tax Credit for Each DM 50 Par Value Share (in DM) ¹¹⁾	5.91	8.16	6.75	6.75	6.75	6.75	6.75	7.31	7.31	3.43
Dividend for Each DM 50 Par Value Share Adjusted (in DM) ¹²⁾	8.26	11.41	11.65	11.65	11.65	12.-	12.-	13.-	13.-	8.-
Tax Credit for Each DM 50 Par Value Share Adjusted (in DM) ¹²⁾	4.65	6.42	6.56	6.56	6.56	6.75	6.75	7.31	7.31	3.43

Balance Sheet Press Conference:

April 12, 1994
10.00 a.m.
Haus der Wirtschaft
Stuttgart

Annual General Meeting:

May 18, 1994
10.00 a.m.
International Congress Center (ICC)
Berlin

Daimler-Benz reports on the first quarter of 1994 during the Balance Sheet Press Conference on April 12, 1994, on the first six months with an audited semi-annual report at the end of August, 1994 and during early November on the first nine months of 1994.

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This report has been printed on environment-friendly paper bleached without the use of chlorine.

